



Saldanha Bay Municipality
Annual Financial Statements
for the year ended 30 June 2015

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	Municipality
Municipal demarcation code	WC014
Executive Mayor	Schippers Francois J
Deputy Executive Mayor	Steyn Elizabeth SJ
Mayoral committee	Don Ryan J Louw Nicholaas S Pronk Frank Van Tura Sucilla L
Speaker	Daniels Olwene D
Councillors	Arendze Wilfred W Benjamin Trevor Biko Mzwandile S Cillié Jan J De Bruin Isak De Bruyn Adele De Bruyn Gerrit Jordaan Berandina Jordaan Peter M Kruger André Mbanze Frank F Mitchell Leonard Mgoqi Nyanisile V Padayachee Hoosain Riet Ikakanyeng M Skei Joubert Vaughan Eventhia Vries Stefanus T
Grading of local authority	Grade 5
Accounting Officer	Scheepers Louis
Chief Financial Officer	Vorster Stefan

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

Business address	15 Main Road Vredenburg Western Cape South Africa 7380
Postal address	Private Bag X 11 Vredenburg Western Cape South Africa 7380
Banker	Standard Bank of South Africa Limited
Auditors	Auditor General South Africa

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Index

Index	Page
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 12
Accounting Policies	13 - 32
Notes to the Annual Financial Statements	33 - 94
Appendixes:	
Appendix A: Schedule of External loans	95
Appendix B: Analysis of Property, Plant and Equipment	96 - 98
Appendix C: Capital expenditure by vote	99
Appendix D: Operating expenditure by vote	100
Appendix E: Statistical information	101 - 102
Appendix F: Disclosure of Grants and Subsidies	103
Appendix G: Deviations from Supply Chain Management processes	104 - 154
Appendix H: Appropriation Statement	155 - 156

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Index

List of abbreviations used

CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
FMSG	Finance Management Support Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IDC	Industrial Development Corporation
IPSAS	International Public Sector Accounting Standards
LED	Local Economic Development
MFMA	Municipal Finance Management Act, Act 56 of 2003
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
PTIS	Public Transport Infrastructure grant
SALGA	South African Local Government Association
SARS	South African Revenue Service
SETA	Sector Education and Training Authority
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WCA	Workers Compensation Assistance
WIP	Work in Progress

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the MFMA Act 56 of 2003, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Standards of GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

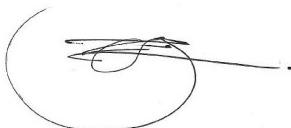
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to end 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented separately.

The annual financial statements set out on pages 6 to 94, which have been prepared on the going concern basis, were approved and signed by the municipal manager on 30 November 2015.

The accounting officer further certifies that the salaries, allowances and benefits of councillors and payments made to councillors for loss of office, if any, as disclosed in note 34 and 55 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Accounting Officer

LA Scheepers

28 October 2015

Vredenburg

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current assets			
Cash and cash equivalents	2	395 599 128	420 427 711
Inventories	3	9 862 988	10 114 290
Trade and other receivables from exchange transactions	4	75 084 810	74 832 181
Trade and other receivables from non-exchange transactions	5	19 348 403	22 919 280
Prepayments	6	2 654 457	2 531 979
Operating lease asset	7	365 132	360 762
VAT receivable	8	2 101 057	3 453 772
		505 015 975	534 639 975
Non-current assets			
Property, plant and equipment	9	2 169 681 864	2 055 906 637
Intangible assets	10	3 999 013	3 260 075
Investment property	11	20 132 500	19 078 170
Heritage assets	12	1 422 802	1 422 802
		2 195 236 179	2 079 667 684
Total assets		2 700 252 154	2 614 307 659
Liabilities			
Current liabilities			
Payables from exchange transactions	13	69 171 457	70 552 468
Consumer deposits	14	15 425 922	14 230 114
Unspent conditional grants and receipts	15	28 982 148	19 912 324
Borrowings	16	7 432 082	10 645 315
Finance lease obligation	17	340 034	427 553
Operating lease liability	7	78 383	152 756
Employee benefit obligation	18	23 575 978	21 866 325
		145 006 004	137 786 855
Non-current liabilities			
Borrowings	16	35 117 096	42 950 390
Finance lease obligation	17	-	339 123
Employee benefit obligation	18	96 668 840	84 572 000
Provisions	19	94 957 598	54 812 328
		226 743 534	182 673 841
Total liabilities		371 749 538	320 460 696
Net assets		2 328 502 616	2 293 846 963
Accumulated surplus	20	2 328 502 616	2 293 846 963

* See Note 49 & 45

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	441 827 445	416 179 159
Rental of facilities and equipment	22	12 395 606	11 257 912
Interest earned - external investments	23	29 066 114	24 758 255
Interest earned - outstanding receivables	24	6 008 186	5 846 029
Agency services	25	4 010 554	3 404 297
Licences and permits	26	1 230 370	1 242 754
Gains on disposal of assets		190 121	205 688
Other income	27	14 868 120	7 768 446
Total revenue from exchange transactions		509 596 516	470 662 540
Revenue from non-exchange transactions			
Property rates	28	150 857 187	141 994 392
Interest earned - outstanding property rates	29	2 859 560	2 837 025
Government grants and subsidies	30	95 138 195	90 837 111
Fines	31	3 610 043	1 999 737
Other income	32	2 418 057	3 390 375
Total revenue from non-exchange transactions		254 883 042	241 058 640
Total revenue		764 479 558	711 721 180
Expenditure			
Employee related costs	33	242 794 497	220 253 338
Remuneration of councillors	34	8 641 896	8 368 025
Loss on disposal of assets		992 079	226 720
Depreciation, amortisation and impairment losses	35	108 969 275	89 849 508
Finance costs	36	15 779 220	13 911 343
Debt impairment	37	8 291 701	12 384 689
Collection costs		380 271	590 621
Repairs and maintenance - materials and payments to suppliers		31 474 673	26 999 881
Bulk purchases	38	235 982 376	221 088 960
Contracted services	39	3 542 274	3 041 217
Transfers and subsidies	40	2 109 639	2 001 550
Inventories written-off		460 641	4 341 838
General expenses	41	71 459 693	70 172 103
Total expenditure		730 878 235	673 229 793
Operating surplus		33 601 323	38 491 387
Fair value adjustment	42	1 054 330	1 405 470
Surplus for the year		34 655 653	39 896 857

* See Note 49 & 45

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus
Opening balance as previously reported	2 247 379 341
Correction of errors	6 570 765
Balance at 01 July 2013 as restated*	2 253 950 106
Surplus for the year	39 896 857
Balance at 01 July 2014 as restated*	2 293 846 963
Surplus for the year	34 655 653
Balance at 30 June 2015	2 328 502 616

* See Note 49 & 45

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Property rates		151 786 863	136 959 198
Service charges		443 094 372	397 813 561
Grants		121 145 085	111 234 747
Interest received		34 781 693	33 034 649
Other receipts		19 442 009	19 597 255
		<u>770 250 022</u>	<u>698 639 410</u>
Payments			
Employee costs		(228 988 004)	(193 740 539)
Suppliers and other		(363 602 571)	(353 206 715)
Finance costs		(5 291 585)	(6 502 950)
		<u>(597 882 160)</u>	<u>(553 450 204)</u>
Net cash flows from operating activities	46	<u>172 367 862</u>	<u>145 189 206</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(185 358 290)	(143 366 913)
Proceeds from sale of property, plant and equipment	9	1 455 719	210 467
Purchase of intangible assets	10	(1 820 705)	(1 681 661)
Net cash flows from investing activities		<u>(185 723 276)</u>	<u>(144 838 107)</u>
Cash flows from financing activities			
Repayment of borrowings		(11 046 527)	(11 867 486)
Finance lease payments		(426 642)	(307 822)
Net cash flows from financing activities		<u>(11 473 169)</u>	<u>(12 175 308)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		(24 828 583)	(11 824 209)
Cash and cash equivalents at the end of the year	2	<u>420 427 711</u>	<u>432 251 920</u>
		<u>395 599 128</u>	<u>420 427 711</u>

* See Note 49 & 45

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on accrual basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
Figures in Rand						
Statement of Financial Position						
Assets						
Current assets						
Cash and cash equivalents	365 000 000	-	365 000 000	395 599 128	30 599 128	8
Inventories	11 500 000	-	11 500 000	9 862 988	(1 637 012)	(14)
Trade and other receivables from exchange transactions	80 000 000	-	80 000 000	75 084 810	(4 915 190)	(6)
Trade and other receivables from non-exchange transactions	22 980 411	-	22 980 411	19 348 403	(3 632 008)	(16)
Prepayments	2 654 457	-	2 654 457	2 654 457	-	-
Operating lease asset	365 132	-	365 132	365 132	-	-
VAT receivable	2 000 001	-	2 000 001	2 101 057	101 056	5
	484 500 001	-	484 500 001	505 015 975	20 515 974	
Non-current assets						
Property, plant and equipment	2 172 187 679	-	2 172 187 679	2 169 681 864	(2 505 815)	-
Intangible assets	4 651 573	-	4 651 573	3 999 013	(652 560)	(14)
Investment property	4 000 000	-	4 000 000	20 132 500	16 132 500	403
Heritage assets	1 422 802	-	1 422 802	1 422 802	-	-
Non-current receivables	45 000	-	45 000	-	(45 000)	(100)
	2 182 307 054	-	2 182 307 054	2 195 236 179	12 929 125	
Total assets	2 666 807 055	-	2 666 807 055	2 700 252 154	33 445 099	
Liabilities						
Current liabilities						
Payables from exchange transactions	89 149 476	-	89 149 476	69 171 457	(19 978 019)	(22)
Consumer deposits	14 499 682	-	14 499 682	15 425 922	926 240	6
Unspent conditional grants and receipts	15 000 000	-	15 000 000	28 982 148	13 982 148	93
Borrowings	7 661 398	-	7 661 398	7 432 082	(229 316)	(3)
Finance lease obligation	340 034	-	340 034	340 034	-	-
Operating lease liability	78 383	-	78 383	78 383	-	-
Employee benefit obligation	4 083 000	-	4 083 000	23 575 978	19 492 978	477
	130 811 973	-	130 811 973	145 006 004	14 194 031	
Non-current liabilities						
Borrowings	34 470 685	-	34 470 685	35 117 096	646 411	2
Finance lease obligation	417 830	-	417 830	-	(417 830)	(100)
Employee benefit obligation	93 221 000	-	93 221 000	96 668 840	3 447 840	4
Provisions	59 561 000	-	59 561 000	94 957 598	35 396 598	59
	187 670 515	-	187 670 515	226 743 534	39 073 019	
Total liabilities	318 482 488	-	318 482 488	371 749 538	53 267 050	
Net assets	2 348 324 567	-	2 348 324 567	2 328 502 616	(19 821 951)	
Net assets						
Reserves						
Accumulated surplus	2 348 324 567	-	2 348 324 567	2 328 502 616	(19 821 951)	(1)

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	454 591 099	-	454 591 099	441 827 445	(12 763 654)	(3)
Rental of facilities and equipment	12 549 547	-	12 549 547	12 395 606	(153 941)	(1)
Interest earned - external investments	25 300 000	-	25 300 000	29 066 114	3 766 114	15
Interest earned - outstanding receivables	6 678 250	-	6 678 250	6 008 186	(670 064)	(10)
Agency services	3 505 570	-	3 505 570	4 010 554	504 984	14
Licences and permits	1 323 250	-	1 323 250	1 230 370	(92 880)	(7)
Gains on disposal of assets	-	-	-	190 121	190 121	-
Other income	10 054 591	-	10 054 591	14 868 120	4 813 529	48
Total revenue from exchange transactions	514 002 307	-	514 002 307	509 596 516	(4 405 791)	
Revenue from non-exchange transactions						
Property rates	147 673 794	-	147 673 794	150 857 187	3 183 393	2
Interest earned - outstanding property rates	3 500 000	-	3 500 000	2 859 560	(640 440)	(18)
Government grants and subsidies	109 290 317	-	109 290 317	95 138 195	(14 152 122)	(13)
Fines	3 032 820	-	3 032 820	3 610 043	577 223	19
Other income	2 759 270	-	2 759 270	2 418 057	(341 213)	(12)
Total revenue from non-exchange transactions	266 256 201	-	266 256 201	254 883 042	(11 373 159)	
Total revenue	780 258 508	-	780 258 508	764 479 558	(15 778 950)	
Expenditure						
Employee related costs	248 381 500	-	248 381 500	242 794 497	(5 587 003)	(2)
Remuneration of councillors	8 985 910	-	8 985 910	8 641 896	(344 014)	(4)
Loss on disposal of assets	300 380	-	300 380	992 079	691 699	230
Depreciation, amortisation and impairment losses	121 504 834	-	121 504 834	108 969 275	(12 535 559)	(10)
Finance costs	16 661 157	-	16 661 157	15 779 220	(881 937)	(5)
Debt impairment	20 446 867	-	20 446 867	8 291 701	(12 155 166)	(59)
Collection costs	456 000	-	456 000	380 271	(75 729)	(17)
Repairs and maintenance - materials and payments to suppliers	39 787 632	219 378	40 007 010	31 474 673	(8 532 337)	(21)
Bulk purchases	243 802 000	-	243 802 000	235 982 376	(7 819 624)	(3)
Contracted services	3 500 000	-	3 500 000	3 542 274	42 274	1
Transfers and subsidies	2 109 640	-	2 109 640	2 109 639	(1)	-
Inventories written-off	8 639 591	-	8 639 591	460 641	(8 178 950)	(95)
General expenses	99 944 032	(219 378)	99 724 654	71 459 693	(28 264 961)	(28)
Total expenditure	814 519 543	-	814 519 543	730 878 235	(83 641 308)	
Operating surplus	(34 261 035)	-	(34 261 035)	33 601 323	67 862 358	
Fair value adjustments	-	-	-	1 054 330	1 054 330	-
Surplus/(deficit)	(34 261 035)	-	(34 261 035)	34 655 653	68 916 688	

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	%
<hr/>						
Figures in Rand						
<hr/>						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	145 244 129	-	145 244 129	151 786 863	6 542 734	5
Service charges	497 356 555	-	497 356 555	443 094 372	(54 262 183)	(11)
Grants	107 637 566	-	107 637 566	121 145 085	13 507 519	13
Interest income	25 299 750	-	25 299 750	34 781 693	9 481 943	37
Other receipts	31 500 000	-	31 500 000	19 442 009	(12 057 991)	(38)
	807 038 000	-	807 038 000	770 250 022	(36 787 978)	
Payments						
Employee costs	(242 615 000)	-	(242 615 000)	(228 988 004)	13 626 996	(6)
Suppliers and other	(404 497 000)	-	(404 497 000)	(363 602 571)	40 894 429	(10)
Finance costs	(5 307 000)	-	(5 307 000)	(5 291 585)	15 415	-
	(652 419 000)	-	(652 419 000)	(597 882 160)	54 536 840	
Net cash flows from operating activities	154 619 000	-	154 619 000	172 367 862	17 748 862	
Cash flows from investing activities						
Purchase of property, plant and equipment	(198 179 295)	-	(198 179 295)	(185 358 290)	12 821 005	(6)
Proceeds from sale of property, plant and equipment	-	-	-	1 455 719	1 455 719	-
Purchase of other intangible assets	(1 820 705)	-	(1 820 705)	(1 820 705)	-	-
Net cash flows from investing activities	(200 000 000)	-	(200 000 000)	(185 723 276)	14 276 724	
Cash flows from financing activities						
Proceeds from borrowings	13 140 000	-	13 140 000	-	(13 140 000)	(100)
Repayment of borrowings	(11 647 000)	-	(11 647 000)	(11 046 527)	600 473	(5)
Finance lease payments	1 600 000	-	1 600 000	(426 642)	(2 026 642)	(127)
Net cash flows from financing activities	3 093 000	-	3 093 000	(11 473 169)	(14 566 169)	
Net increase/(decrease) in cash and cash equivalents	(42 288 000)	-	(42 288 000)	(24 828 583)	17 459 417	(41)
Cash and cash equivalents at the beginning of the year	420 428 000	-	420 428 000	420 427 711	(289)	-
Cash and cash equivalents at the end of the year	378 140 000	-	378 140 000	395 599 128	17 459 128	

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Summary of significant accounting policies

The municipality's principal accounting policies, which are in all material aspects consistent with those applied in the previous year, are set out below. The details of any changes in accounting policies are explained in the note thereto. The historical cost convention has been used, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements which are based on the best information available at the time of preparation.

1.1 Basis of presentation

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of trade receivables

The calculation of the impairment of trade receivables is based on a payment percentage assessment of the individual debtors of the municipality. If an individual debtor has a payment percentage of more than 90%, impairment is not considered. In instances where the payment percentage is less than 90%, the individual debtor is impaired based on the actual non-payment percentage of the outstanding debt.

Impairment testing

The recoverable amounts of cash and non-cash generating assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Fair value estimation

The carrying value less impairment provision of trade receivables are assumed to approximate their fair value.

Provisions

Management's judgement is required when recognising and measuring provisions, contingent liabilities and contingent assets.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of infrastructure and other assets

The municipality's management annually determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norms or technical advice. Management will amend the depreciation charge where there is a change in the estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for post-retirement benefits are based on current market conditions. Additional information is disclosed in Note 18 - Employee benefit obligation.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable where relevant to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Allowance for debtors impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Standards, amendments to standards and interpretations issued but not yet effective

In the current year the municipality has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective. The following GRAP standards have been issued, but are not yet effective during the current reporting period and the municipality did not early adopt these GRAP standards

Reference	Topic	Effective date
GRAP 18	Segment reporting	1 April 2015
GRAP 20	Related party disclosures	Unknown
GRAP 32	Service concession arrangements (Grantor)	Unknown
GRAP 105	Transfers of functions between entities under common control	1 April 2015
GRAP 106	Transfers of functions between entities not under common control	1 April 2015
GRAP 107	Mergers	1 April 2015
GRAP 108	Statutory receivables	Unknown
iGRAP17	Service concession arrangements where a grantor controls a significant residual interest in an asset	Unknown

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.4 Housing development fund

The Housing Development Fund was established in terms on the Housing Act, Act 107 of 1997.

Sections 15(5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Municipality to maintain a separate housing operating account. This legislated separate operating account is known as the housing development fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa) of the Housing Act, read with, inter alia, section 16(2), it is required that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, to be paid into a separate operating account, and be utilised by the municipality for housing development in accordance with the National Housing Policy.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Budget information

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual budget figures have been presented in accordance with the GRAP reporting framework. Separate statements of comparison of budget and actual amounts, which forms part of the annual financial statements, have been prepared.

The comparison of budget and actual amount are presented on the same accounting basis, same classification basis and for the same municipality and period as for the approved budget. The budget of the municipality is taken through a stakeholder consultative process and upon approval the approved budget is made publicly available.

A difference of 10% or more between budget and actual amounts is regarded as material.

1.6 Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year, except for the withdrawal of the following new or revised GRAP standards as per Directive 5 as issued by the Accounting Standards Board:

GRAP 5 Borrowing costs: Amended version is effective from periods starting after 1 April 2014

GRAP 100 Discontinued operations: Amended version is effective from periods starting after 1 April 2014

Nature of impending changes in accounting policy

GRAP 5: Borrowing costs

The accounting policies of the municipality were changed to cease the capitalisation of interest on external borrowings which is applied prospectively from 1 July 2014 in accordance with paragraph .35

GRAP 100: Discontinued operations:

GRAP 100 has been amended by the withdrawal of the measurement, presentation and disclosure requirements related to non-current assets held for sale. The manner in which non-current assets held for sale are measured is applied prospectively from 1 July 2014 as stipulated in the amendments to GRAP 100. The manner in which non-current assets held for sale are classified and presented in the statement of financial position and accompanying notes is applied retrospectively as stipulated in GRAP 100.

Impact on the municipality's annual financial statements once implemented

GRAP 5:

As from 1 July 2014 borrowing costs on qualifying assets will no longer be capitalised, but recognised as an expense in the period which incurred. However, if any assets met the criteria to be classified as qualifying assets prior to the effective date of the amendments, the accounting policy for such assets remain unchanged. This means that no adjustments are made to any borrowing costs incurred on assets where their construction is completed prior to the effective date of the amendments. Similarly, if a qualifying asset is in process of being constructed prior to the effective date of amendments, the entity continue to capitalise borrowing costs until the activities necessary to prepare the qualifying assets for its intended use or sale are completed.

GRAP 100:

Prior to the amendment, the standard required assets or disposal groups that are held for sale to be measured at the lower of their carrying value and their fair value less cost to sell. As the effect of this requirement is that the municipality assesses its assets it plans to sell for impairment, the amendment implies that the same can be achieved within the existing assets and impairment related standards. Therefore no specific measurement requirements for assets held for sale over and above those already required in existing standards.

As a result of this, the standard of GRAP on Presentation of Financial Statements was also amended that now requires entities to disclose information about significant assets and group of assets and liabilities or components, (as defined in GRAP 100), that will be disposed of in future reporting periods. The municipality provides these disclosure once management has made a decision to dispose of certain assets, groups of assets and liabilities or components.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Changes in accounting policy (continued)

Assets held for sale will no longer be presented on the face of the statement of financial position, but will be presented as part of the existing asset standards. Measurement will thus be prospectively and presentation retrospectively. The disclosure in the notes to the annual financial statements of significant assets and groups of assets that will be disposed of in future will be retrospectively.

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the statement of financial performance.

Depreciation rates

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful asset lives:

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Property, plant and equipment (continued)

Asset type	Estimated useful lives (years)
Land	Indefinite
• Municipal land	
Buildings	
• Airport buildings	20
• Buildings - Other	20 - 30
• Electricity buildings	30
• Buildings - Security	3 - 6
Other Assets	
• Aircraft / Balloons	15
• Bins	5 - 15
• Other buildings	30
• Containers	10
• Emergency equipment	5 - 15
• Furniture and fittings	7 - 15
• Motor vehicles	3 - 20
• Office equipment	3 - 5
• Plans	5
• General plant	2 - 20
• Landfill sites	0 - 10
• Water craft	15
•	
Infrastructure	
• Airports	20
• Cleansing	5 - 50
• Electricity	6 - 50
• Gas	20
• Pedestrian malls	20
• Roads	6 - 80
• Security measures	5 - 6
• Sewerage	5 - 99
• Towers	15
• Water	6 - 50
Community	
• Buildings	15 - 20
• Recreational facilities	20
Finance leased assets	
• Cell phones	2
• Telecommunication equipment	5
• Office machines	3

The residual value, the useful life of an asset and the depreciation method if not insignificant, are reviewed annually with the effect of any changes in estimate and accounted for on a prospective basis as a change in accounting estimate in the statement of financial performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is available for use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease and are recognised in the statement of financial performance.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as provision for rehabilitation of landfill sites.

The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

All changes in the liability are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance. If the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit. The periodic unwinding of discount is recognised in surplus or deficit as a finance cost as it occurs.

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage assets are stated at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value and is recognised in the statement of financial performance. Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial. Heritage assets are considered to have indefinite useful lives.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.10 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Asset type	Estimated useful lives (years)
Computer software, other	3 - 15
Other intangible assets	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

An intangible asset is defined as an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

The municipality recognises computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the municipality, and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Intangible assets (continued)

The residual value, amortisation method and useful life, if not insignificant, are reassessed annually, with the effect of any changes in estimate accounted for on a prospective basis.

1.11 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

The municipality recognises investment property using the fair value model. The fair value is adjusted at each reporting date by means of the appointment of an independent valuer that holds a professional valuation qualification. The adjustment is recognised in the statement of financial performance as a fair value adjustment.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Where investment properties are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

Revenue earned from rental of investment property is disclosed as part of rental of facilities and equipment and are thus not disclosed separately, as they are not material. Expenses in respect of investment property are disclosed as other expenditure and not disclosed separately as they are not material.

Investment property was not tested for impairment as the impairment is taken into account with the determination of the fair value at reporting date.

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition are recognised in the statement of financial performance.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.12 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, or for no or a nominal consideration, and then their costs are their fair value as at the date of acquisition.

Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Inventories (continued)

Inventories are subsequently valued at the lower of cost (determined on the weighted-average basis) and net realisable value, unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

An assessment of net-realisable value is performed at each reporting period, when inventory is written down to their estimated net realisable values, and are recognised as an expense in the statement of financial performance.

When differences arose on the valuation of inventory, the amount of any reversal or any write-down of inventories is recognised as an adjustment in the statement of financial performance in the period in which it occurs.

The basis of determining the cost of water purchased but not yet sold at reporting date comprises all costs of the purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Housing inventory is low costs houses still in process of construction, or completed and not yet transferred. These houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements.

In terms of GRAP standards a municipality can either be regarded to be the “principal” or “agent” when executing the delivery of houses.

When the municipality is acting as the “principal” all costs are recognised as inventory up to the point of transfer to the allocated beneficiaries, where after the cost is expensed through the statement of financial performance.

Housing inventory is measured at the lower of cost and current replacement cost as houses will be distributed through a non-exchange transaction.

When the municipality is acting as the “agent” all transfers received by the Western Cape Department of Human Settlements is recorded initially as a liability in the statement of financial position. Any payments or costs pertaining to human settlement housing activities are debited against the liability.

1.13 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or un-collectability.

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Financial instruments (continued)

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the municipality designates at fair value at initial recognition, or those that are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

A financial asset is cash, a residual interest of another municipality, or a contractual right to receive cash or another financial asset from another, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

The municipality measures all financial assets and financial liabilities after initial recognition by using the two categories of, financial instruments at fair value, or financial instruments at amortised cost.

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class:	Category - measured at:
Trade and other receivables from non-exchange transactions	Amortised cost
Trade and other receivables from exchange transactions	Amortised cost
Cash and cash equivalents	Amortised cost

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another municipality. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class:	Category - measured at:
Trade and other payables from non-exchange transactions	Amortised cost
Borrowings	Amortised cost
Finance lease liability	Amortised cost
Consumer deposits	Amortised cost

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised as revenue or expense in the statement of financial performance.

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in the statement of financial performance when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Financial instruments (continued)

The municipality derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled or waived, or when the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or when the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the municipality derecognise the asset and recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

The municipality removes a financial liability from its statement of financial position when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of financial performance.

Interest relating to a financial instrument is recognised as revenue or expense in the statement of financial performance.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms used in the public sector, either through established practices or legislation.

Fair value measurement considerations:

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Unauthorised expenditure

Unauthorised expenditure is defined as any expenditure incurred by a municipality not in accordance with section 15 or 11(3) of the MFMA, and includes an overspending of the total amount appropriated in the municipality's approved budget, an overspending of the total amount appropriated for a vote in the approved budget, an expenditure from a vote unrelated to the department or functional area covered by the vote, an expenditure of money appropriated not in accordance for that specific purpose, a spending of an allocation not in accordance with any conditions of the allocation, or a grant made by the municipality not in accordance with the MFMA.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Refer to Annexure C (Capital expenditure by vote) and Annexure D (Operating expenditure by vote) where an analysis of the budgeted and actual expenditure is presented.

1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act 56 of 2003, the Municipal Systems Act, Act 32 of 2000, the Public Office Bearers Act, Act 20 of 1998, or is in contravention of the municipality's supply chain management policy.

Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Provisions

A provision is recognised when the Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised, but are disclosed in note 54.

1.18 Leases

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality through the lease agreement. Assets subject to finance leases are recognised in the statement of financial position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are expensed over the course of the lease arrangement in the statement of financial performance.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Leases (continued)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Assets subject to a finance lease are measured at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed through the statement of financial performance. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the statement of financial performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the statement of financial position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and/ or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

The finance lease liabilities are derecognised when the municipality's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the municipality no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the municipality's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the municipality no longer anticipates economic benefits to flow from the asset.

Municipality as lessor

For those leases that meet the definition of a finance lease, where the municipality is the lessor, the municipality derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the municipality recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the statement of financial performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income in the statement of financial performance.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance lease receivables are recognised at an amount equal to the municipality's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance. The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Finance lease receivables are derecognised when the municipality's right to the underlying cash flows expire or when the municipality no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the municipality's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the municipality's right to the underlying cash flows expire or the municipality no longer expects economic benefits to flow from the operating lease asset.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.19 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably; and

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the municipality.

Revenue from interest earned is recognised, in the statement of financial performance, using the effective interest method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

The stage of completion of the transaction at the reporting date can be measured reliably; and

The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. The stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

The municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably;

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of the inflow of economic benefits. The probability of non-payment is not considered at initial recognition.

The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis. An impairment loss is recognised in surplus and deficit.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

With effect from 2014/ 2015 borrowing costs on qualifying assets are no longer capitalised, but recognised as an expense in the period in which they are incurred.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.23 Employee benefits

Retirement benefits plans

The municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against the statement of financial performance in the year in which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued based on the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sum payments are charged against the statement of financial performance in the year in which they become payable.

Short-term and long-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and contractually agreed bonuses. No performance bonuses are paid by the municipality.

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The municipality provides long-service awards to eligible employees, after completion of every five years' service and the liability thereof is based on an actuarial valuation. The projected unit credit method has been used to value the obligation.

Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

Post-retirement healthcare aid plan

The municipality provides post-retirement benefits by subsidising the medical healthcare contributions of certain retired staff. According to the rules of the medical aid funds with which the municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past, or accrued and future in-service element. The liability is recognised at the fair value of the obligation, together with any adjustments required. The projected unit credit method has been used to value the obligation. Refer to note 18.

Multi-employer plans

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan, assets and costs associated with the plan in the same manner as for any other defined benefit plan. When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

1.24 Impairment of cash and non-cash generating assets

The municipality classifies its assets as non-cash generating assets as none of the assets on its own generates cash inflows or are held with the primary objective of generating a commercial return or profits. Although certain services realise surpluses these surpluses are used for cross subsidisation of services that operates at a deficit.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.24 Impairment of cash and non-cash generating assets (continued)

At the end of each reporting period, the carrying amounts of non-cash-generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount or recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable service amount of a non-cash-generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount or recoverable service amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. An impairment loss is recognised immediately in surplus or deficit.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount or recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.25 Impairment of specific assets

Property plant and equipment

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

Intangible assets

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment at the same time every year, as well as whenever there is an indication that the asset may be impaired

Investment property held at fair value

The investment property was not tested for impairment as the impairment is taken into account with determination of the fair value at reporting date.

Heritage assets

The calculation in respect of the impairment of heritage assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of heritage assets.

Trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed, as far possible, on individual debtor level and across all debtor classes

1.26 Recognition of material transactions

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.27 Capital replacement reserve

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

The cash which backs up the CRR is invested until it is utilised.

The cash may only be invested in accordance with the investment policy of the municipality. The interest earned on the CRR investment is recorded as part of total interest earned in the statement of financial performance.

The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.

Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.

At the end of the financial year not less than 6% of the previous year's own revenue is transferred to the CRR in order to grow this reserve. The current year's contribution may only be utilised for financing of capital expenditure in the following year.

1.28 Self insurance reserve

The municipality has a self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally, i.e. excess payments. The balance of the self-insurance reserve is ring-fenced within the accumulated surplus.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

This reserve is only set aside in the accounting records and is included in the accumulated surplus for annual financial statement purposes as it is not a reserve for funding as per section 18 of MFMA.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and short-term call deposits.

1.29 Related parties

The municipality has used the disclosure requirements as per GRAP 20 – Related party disclosures to formulate its accounting policy.

A related party is a person or an entity with the ability to control or jointly control the other party, or to exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Individuals as well as their close family members, and/or entities are therefore related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Management is regarded as a related party and comprises the councillors, executive mayor, mayoral committee members, municipal manager, executive directors and all other managers reporting directly to the municipal manager or as designated by the municipal manager.

Close family members are regarded as those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality. A person is considered to be a close member of the family of another person if they are married or lives together in a relationship similar to a marriage, or is separated by no more than two degrees of natural or legal consanguinity or affinity.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.30 Statutory receivables

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

Initial recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment losses; and
- amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flows estimates have not been adjusted.

An impairment loss recognised in prior periods for a receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance

De-recognition

The Municipality derecognise a statutory receivable when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the Municipality transfers to another party substantially all of the risk and rewards of ownership of the receivable; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

1.31 Capital Commitments

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will incurred in the period subsequent to the specific reporting date.

1.32 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
 - and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

If non-adjusting events after the reporting date are material, the Municipality disclose the nature and an estimate of the financial effect.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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2. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on hand	22 710	18 211
Cash at bank	76 247 724	68 987 051
Short-term deposits	319 328 694	351 422 449
	395 599 128	420 427 711

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past nor impaired can be assessed by reference to external credit ratings, if available, or historical information.

Current Account (Primary Bank Account)

Standard Bank SA Ltd - 08290044		
Cashbook balance at the beginning of the year	68 987 051	35 613 932
Cashbook balance at the end of the year	76 247 724	68 987 051
Bank statement balance at beginning of the year	68 525 192	36 246 498
Bank statement balance at the end of the year	76 057 260	68 525 192

Summary of investments (Section 125(2)(b) of the MFMA)

Financial Institution

ABSA	98 070 921	107 926 893
First National Bank	30 599 795	45 845 912
Standard Bank	51 739 479	60 801 514
Nedbank	87 568 652	75 711 952
Investec	51 349 847	61 136 178
Total short term investments	319 328 694	351 422 449

The fair value has been determined by using the face value of the capital balance invested.

Short term deposits are invested with various banking institutions for a period between 1-12 months in accordance with the cash management and investment policy. This information is disclosed in terms of Section 125(2)(b) of the MFMA.

All unspent conditional grants and certain provisions and reserves, which are included in the short term investments above, have been ring-fenced and may not be utilised for any other purposes.

The different institutions have external credit ratings.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

Restated*

3. Inventories

Closing balance of inventories

Consumable stores	9 425 085	9 318 410
Top structures not transferred	64 015	478 055
Water	373 888	317 825
	9 862 988	10 114 290
Carrying value of consumable stores and water carried at lower of cost and net realisable value	9 798 973	9 636 235
Housing top structures carried at the lower of cost and current replacement cost	64 015	478 055

During the year stock issued from consumable stores amounted to R26 921 474 (2014: R26 139 669). An amount of R46 601 (2014: R145 760) for consumable stores were written off. R414 040 (2014: R4 196 078) for top structures and R 81 555 349 (2014: R85 118 830) for water services were expensed in the statement of financial performance.

4. Trade and other receivables from exchange transactions

2015	Gross balance	Provision for doubtful debt	Net balance
Trade receivables - services			
Electricity	30 019 362	(1 808 764)	28 210 598
Water	54 652 186	(29 331 120)	25 321 066
Sewerage	23 706 611	(16 773 017)	6 933 594
Refuse	22 695 598	(16 828 678)	5 866 920
	131 073 757	(64 741 579)	66 332 178
Other receivables			
Sundry debtors	6 372 483	(3 414 928)	2 957 555
Housing debtors	6 204 632	(6 204 632)	-
Other debtors	5 795 077	-	5 795 077
	18 372 192	(9 619 560)	8 752 632
	149 445 949	(74 361 139)	75 084 810

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
4. Trade and other receivables from exchange transactions (continued)		
2014		
Restated*		
	Gross balance	Provision for doubtful debt
Trade receivables - services		
Electricity	33 033 125	(2 176 083)
Water	53 056 251	(28 522 806)
Sewerage	22 422 285	(16 182 343)
Refuse	20 443 905	(15 228 127)
	128 955 566	(62 109 359)
Other receivables		
Sundry debtors	5 836 964	(3 413 168)
Housing debtors	10 808 168	(10 808 168)
Other debtors	5 562 178	-
	22 207 310	(14 221 336)
	151 162 876	(76 330 695)
Reconciliation of the debtors impairment provision		
Balance at beginning of the year		(76 330 695)
Contributions to provision		(9 385 772)
Irrecoverable debtors written-off		11 355 328
Other movement		-
Balance at end of year	(74 361 139)	(76 330 695)
Gross balances		
Electricity	30 019 362	33 033 125
Water	54 652 186	53 056 251
Sewerage	23 706 611	22 422 285
Refuse	22 695 598	20 443 905
Sundry debtors	6 372 483	5 836 964
Housing debtors	6 204 632	10 808 168
Other debtors	5 795 077	5 562 178
	149 445 949	151 162 876
Less: Allowance for impairment		
Electricity	(1 808 764)	(2 176 083)
Water	(29 331 120)	(28 522 806)
Sewerage	(16 773 017)	(16 182 343)
Refuse	(16 828 678)	(15 228 127)
Sundry debtors	(3 414 928)	(3 413 168)
Housing debtors	(6 204 632)	(10 808 168)
	(74 361 139)	(76 330 695)

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
4. Trade and other receivables from exchange transactions (continued)		
Net balance		
Electricity	28 210 598	30 857 042
Water	25 321 066	24 533 445
Sewerage	6 933 594	6 239 942
Refuse	5 866 920	5 215 778
Sundry debtors	2 957 555	2 423 796
Other debtors	5 795 077	5 562 178
	75 084 810	74 832 181
Summary by ageing		
Electricity		
Current (0 -30 days)	26 056 947	28 387 122
31 - 60 days	85 729	110 359
61 - 90 days	75 603	79 169
91 - 120 days	82 290	98 378
121 - 365 days	389 465	407 727
> 365 days	1 520 564	1 774 287
	28 210 598	30 857 042
Water		
Current (0 -30 days)	10 474 739	10 249 338
31 - 60 days	410 645	443 684
61 - 90 days	375 681	393 856
91 - 120 days	375 835	346 992
121 - 365 days	2 328 098	2 579 969
> 365 days	11 356 068	10 519 606
	25 321 066	24 533 445
Sewerage		
Current (0 -30 days)	1 065 469	954 186
31 - 60 days	174 550	158 498
61 - 90 days	156 984	139 255
91 - 120 days	147 849	133 795
121 - 365 days	1 126 020	1 105 770
> 365 days	4 262 722	3 748 438
	6 933 594	6 239 942
Refuse		
Current (0 -30 days)	1 024 426	884 823
31 - 60 days	144 099	126 835
61 - 90 days	131 736	118 880
91 - 120 days	121 947	115 762
121 - 365 days	849 089	885 734
> 365 days	3 595 623	3 083 744
	5 866 920	5 215 778

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
4. Trade and other receivables from exchange transactions (continued)		
Sundries		
Current (0 -30 days)	857 307	981 237
31 - 60 days	127 988	88 361
61 - 90 days	58 598	47 987
91 - 120 days	141 775	46 258
121 - 365 days	454 449	272 520
> 365 days	1 317 438	987 433
	2 957 555	2 423 796
Other Debtors		
Current (0 -30 days)	5 795 077	5 562 178

Ageing of debtors by customer classification

2015	Residential consumers	Industrial / Commercial	National and Provincial Government	Other debtors	Total
Current (0 -30 days)	45 365 102	7 838 688	1 327 205	5 795 077	60 326 072
31 - 60 days	2 181 090	532 028	19 503	-	2 732 621
61 - 90 days	1 874 632	431 046	8 985	-	2 314 663
91 - 120 days	1 834 116	552 635	9 028	-	2 395 779
121 - 365 days	12 190 997	3 244 972	1 084 755	-	16 520 724
> 365 days	55 295 361	8 854 578	1 006 151	-	65 156 090
Subtotal	118 741 298	21 453 947	3 455 627	5 795 077	149 445 949
Provision for doubtful debts	(61 466 650)	(11 105 676)	(1 788 813)	-	(74 361 139)
	57 274 648	10 348 271	1 666 814	5 795 077	75 084 810
2014	Residential consumers	Industrial / Commercial	National and Provincial Government	Other debtors	Total
Current (0 -30 days)	47 061 389	7 831 998	1 486 114	5 562 178	61 941 679
31 - 60 days	2 210 253	467 507	17 963	-	2 695 723
61 - 90 days	2 035 476	554 428	68 227	-	2 658 131
91 - 120 days	1 691 726	409 180	6 934	-	2 107 840
121 - 365 days	12 778 024	3 828 876	1 012 714	-	17 619 614
> 365 days	54 224 237	9 227 764	687 888	-	64 139 889
Subtotal	120 001 105	22 319 753	3 279 840	5 562 178	151 162 876
Provision for doubtful debts	(62 591 170)	(11 976 286)	(1 763 239)	-	(76 330 695)
	57 409 935	10 343 467	1 516 601	5 562 178	74 832 181

Credit quality of trade and other receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Fair value of trade and other receivables from exchange transactions

The fair value has been determined by deducting the impairment amount from the gross balance.

Trade and other receivables from exchange transactions	75 084 810	74 832 181
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The fair value has been determined by using the face value of the outstanding capital.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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4. Trade and other receivables from exchange transactions (continued)

Trade and other receivables from exchange transactions impaired

The municipality calculated the payment trend of each client for the year, in order to ensure that trade and other receivables from exchange transaction are shown at fair value.

On 30 June 2015, trade and other receivables from exchange transactions of R74 361 139 (2014: R76 330 695) were impaired and provided for.

Irrecoverable debts of R11 355 329 (2014: R2 430 937) were written off during the year.

5. Trade and other receivables from non-exchange transactions

Total receivables from non-exchange transactions

	Gross balances	Provision for doubtful debts	Net balance
2015			
Trade receivables - Property rates	39 275 011	(21 828 151)	17 446 860
Traffic fines and other receivables	2 735 062	(833 519)	1 901 543
Government grants	1 577 827	(1 577 827)	-
	43 587 900	(24 239 497)	19 348 403
2014 Restated*			
Trade receivables - Property rates	40 126 033	(23 415 313)	16 710 720
Traffic fines and other receivables	1 732 605	(369 161)	1 363 444
Government grants	6 422 943	(1 577 827)	4 845 116
	48 281 581	(25 362 301)	22 919 280

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014
Restated*

5. Trade and other receivables from non-exchange transactions (continued)

Reconciliation of the debtors impairment provision

Balance at the beginning of the year	(25 362 301)	(20 262 793)
Contribution to provision	-	(5 201 993)
Irrecoverable debtors written-off	464 634	102 485
Reversal of provision	658 170	-
	(24 239 497)	(25 362 301)

Ageing of debtors by customer classification

2015	Taffic fines and other	Government Grants	Rates Residential	Rates Industrial / Commercial	Rates National and Provincial Government	Total
Current (0-30 days)	329 200	-	12 403 091	2 143 145	362 866	15 238 302
31 - 60 days	284 250	-	596 323	145 460	5 332	1 031 365
61 - 90 days	197 700	-	512 535	117 851	2 457	830 543
91 - 120 days	165 400	-	501 458	151 094	2 468	820 420
121 - 365 days	1 395 230	-	3 333 091	887 195	296 578	5 912 094
> 365 days	363 282	1 577 827	15 118 083	2 420 896	275 088	19 755 176
Subtotal	2 735 062	1 577 827	32 464 581	5 865 641	944 789	43 587 900
Provision for doubtful debts	(833 519)	(1 577 827)	(18 043 043)	(3 260 011)	(525 097)	(24 239 497)
	1 901 543	-	14 421 538	2 605 630	419 692	19 348 403
2014	Taffic fines and other	Government Grants	Rates Residential and other	Rates Industrial / Commercial	Rates National and Provincial Government	Total
Current (0-30 days)	851 845	-	12 329 723	2 209 277	419 208	15 810 053
31 - 60 days	57 650	-	623 476	131 876	5 067	818 069
61 - 90 days	88 580	-	574 174	156 395	19 246	838 395
91 - 120 days	53 900	-	477 208	115 423	1 956	648 487
121 - 365 days	680 630	-	3 604 469	1 080 063	285 670	5 650 832
> 365 days	-	6 422 943	15 295 761	2 602 999	194 042	24 515 745
Subtotal	1 732 605	6 422 943	32 904 811	6 296 033	925 189	48 281 581
Provision for doubtful debts	(369 161)	(1 577 827)	(19 298 421)	(3 589 433)	(527 459)	(25 362 301)
	1 363 444	4 845 116	13 606 390	2 706 600	397 730	22 919 280

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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5. Trade and other receivables from non-exchange transactions (continued)

Credit quality of trade and other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables from non-exchange transactions

Summary by ageing - Property rates

Current (0-30 days)	4 270 153	3 739 810
31-30 Days	471 988	422 166
61-90 Days	387 954	579 141
91-120 Days	341 056	333 248
121-365 Days	3 193 992	3 448 127
+ 365 Days	8 781 717	8 188 228
	17 446 860	16 710 720

Fair value of trade and other receivables from non-exchange transactions

Trade and other receivables from non-exchange transactions	<u>19 348 403</u>	<u>22 919 280</u>
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The fair value has been determined by using the face value of the outstanding capital.

Trade and other receivables from non-exchange transactions impaired

The municipality calculated the payment trend of each client for the year, in order to ensure that receivables from non-exchange transactions are shown at fair value.

As of 30 June 2015, trade and other receivables from non-exchange transactions of R24 239 497 (2014: R25 362 301) were impaired and provided for. An amount of R464 634 (2014: R 102 485) was written off as irrecoverable.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
6. Prepayments		
Prepaid expenses	<u>2 654 457</u>	<u>2 531 979</u>
7. Operating leases		
Current assets	365 132	360 762
Current liabilities	(78 383)	(152 756)
	<u>286 749</u>	<u>208 006</u>

Operating leases - as lessee (expense)

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Minimum lease payments due

- within one year	969 389	2 109 072
- in second to fifth year inclusive	401 242	1 111 511
	<u>1 370 631</u>	<u>3 220 583</u>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	899 005	594 657
- in second to fifth year inclusive	1 224 226	543 091
- later than five years	92 635	257 041
	<u>2 215 866</u>	<u>1 394 789</u>

Operating leases consists of the following:

Rentals on the letting of premises.

8. VAT receivable

VAT receivable by the municipality	<u>2 101 057</u>	<u>3 453 772</u>
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VAT is payable on the payment basis. VAT is paid over to the SARS on a net basis only when actual payments are received by the municipality and when actual payments are made to suppliers. Where necessary, VAT was provided for on accruals and provisions.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	Land	Buildings	Other Assets	Leasehold improvements	Infrastructure	Community	WIP	Total
as at 30 June 2015								
Cost	458 989 427	205 961 216	302 281 012	1 768 426	2 501 495 424	67 053 259	156 481 479	3 694 030 243
Accumulated depreciation and impairment losses	-	(81 253 132)	(157 964 128)	(1 627 410)	(1 252 267 112)	(31 236 597)	-	(1 524 348 379)
Carrying Value	458 989 427	124 708 084	144 316 884	141 016	1 249 228 312	35 816 662	156 481 479	2 169 681 864
 as at 30 June 2014								
Restated*								
Cost	444 355 027	194 824 853	224 951 182	1 815 713	2 443 719 825	62 182 879	104 440 156	3 476 289 635
Accumulated depreciation and impairment losses	-	(75 943 626)	(117 520 443)	(1 449 529)	(1 196 888 185)	(28 581 215)	-	(1 420 382 998)
Carrying Value	444 355 027	118 881 227	107 430 739	366 184	1 246 831 640	33 601 664	104 440 156	2 055 906 637

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Land	Buildings	Other Assets	Leasehold improvements	Infrastructure	Community	WIP	Total
as at 30 June 2015								
Cost	444 355 027	194 824 853	224 951 182	1 815 713	2 443 719 825	62 182 879	104 440 156	3 476 289 635
Accumulated depreciation and impairment losses	-	(75 943 626)	(117 520 443)	(1 449 529)	(1 196 888 185)	(28 581 215)	-	(1 420 382 998)
Net book value at 01 July 2014	444 355 027	118 881 227	107 430 739	366 184	1 246 831 640	33 601 664	104 440 156	2 055 906 637
Additions	15 573 000	9 749 660	77 697 047	-	29 933 160	4 823 007	86 144 538	223 920 412
Disposals and scrappings - cost	(938 600)	(888 000)	(2 554 924)	(979)	(1 775 927)	(21 375)	-	(6 179 805)
Disposals and scrappings - accumulated depreciation and impairment losses	-	293 829	1 830 020	977	1 775 927	21 375	-	3 922 128
Transfers	-	2 274 770	2 141 374	(42)	29 618 365	68 748	(34 103 215)	-
Depreciation	-	(5 602 457)	(41 264 545)	(225 124)	(57 025 566)	(2 676 757)	-	(106 794 449)
Impairment losses	-	(945)	(962 827)	-	(129 287)	-	-	(1 093 059)
Net book value at 30 June 2015	458 989 427	124 708 084	144 316 884	141 016	1 249 228 312	35 816 662	156 481 479	2 169 681 864
Made up as follows:								
Cost	458 989 427	205 961 216	302 281 012	1 768 426	2 501 495 424	67 053 259	156 481 479	3 694 030 243
Accumulated depreciation and impairment losses	-	(81 253 132)	(157 964 128)	(1 627 410)	(1 252 267 112)	(31 236 597)	-	(1 524 348 379)
	458 989 427	124 708 084	144 316 884	141 016	1 249 228 312	35 816 662	156 481 479	2 169 681 864

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Land	Buildings	Other Assets	Leasehold improvements	Infrastructure	Community	WIP	Total
Opening balance								
Cost	444 460 027	191 274 754	193 730 080	1 853 377	2 365 992	60 907 629	85 707 076	3 343 925 928
Accumulated depreciation and impairment losses	-	(70 179 804)	(99 630 846)	(1 351 826)	(1 146 091 471)	(26 001 982)	-	(1 343 255 929)
Net book value at 01 July 2013	444 460 027	121 094 950	94 099 234	501 551	1 219 901 514	34 905 647	85 707 076	2 000 669 999
Additions	-	2 753 961	32 886 932	-	46 363 569	1 251 388	60 668 732	143 924 582
Additions through finance lease	-	-	-	107 899	-	-	-	107 899
Disposals and scrappings - cost	-	-	(1 811 393)	-	(9 752 380)	-	-	(11 563 773)
Disposals and scrappings - accumulated depreciation and impairment losses	-	-	1 611 165	-	9 752 380	-	-	11 363 545
Transfers	(105 000)	796 138	15 871	(15 871)	41 115 651	23 863	(41 935 652)	(105 000)
Depreciation	-	(5 659 460)	(19 076 151)	(227 266)	(56 275 433)	(2 579 234)	-	(83 817 544)
Impairment losses	-	(104 362)	(294 919)	(129)	(4 273 661)	-	-	(4 673 071)
Net book value at 30 June 2014	444 355 027	118 881 227	107 430 739	366 184	1 246 831 640	33 601 664	104 440 156	2 055 906 637
Made up as follows:								
Cost	444 355 027	194 824 853	224 951 182	1 815 713	2 443 719 825	62 182 879	104 440 156	3 476 289 635
Accumulated depreciation and impairment losses	-	(75 943 626)	(117 520 443)	(1 449 529)	(1 196 888 185)	(28 581 215)	-	(1 420 382 998)
	444 355 027	118 881 227	107 430 739	366 184	1 246 831 640	33 601 664	104 440 156	2 055 906 637

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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9. Property, plant and equipment (continued)

Other information:

Work in progress is shown separately as required by GRAP 17.

Provision has been made for the estimated cost of rehabilitating landfill sites, included in other assets, as disclosed in note 19.

Infrastructure assets were tested for impairment during the year. The impairment losses charged to the statement of financial performance is R129 287 (2014: R4 273 661).

All moveable assets were reviewed for changes in useful life and conditions. This resulted in changes of accounting estimates which was applied prospectively. Refer to note 48.

All additions to infrastructure assets were unbundled.

Pledged as security

The municipality obtained a loan from Nedbank in the past with the condition that the assets purchased by way of this loan must be ceded to Nedbank until the loan has been repaid. This loan has been repaid in full on 30 June 2015. There are no other assets pledged as security for external borrowings.

The municipality has a finance lease which is secured by the lessor's charge over the leased asset. Refer note 17.

Borrowing costs capitalised

Borrowing costs capitalised in this period

Property, plant and equipment	-	33 430
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Assets subject to finance lease (Net carrying amount)

Leased assets	141 016	366 184
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Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

10. Intangible assets

	2015			2014 Restated*		
	Cost	Accumulated amortisation and accumulated impairment losses	Carrying value	Cost	Accumulated amortisation and accumulated impairment losses	Carrying value
Computer software, externally generated	8 857 519	(4 858 506)	3 999 013	7 041 357	(3 781 282)	3 260 075

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, externally generated	3 260 075	1 820 705	-	(1 081 767)	3 999 013

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, externally generated	2 968 572	1 681 661	(31 265)	(1 358 893)	3 260 075

Intangible assets have finite useful lives. The estimated remaining useful life is reviewed at each reporting period. The intangible assets have not been pledged as security.

11. Investment property

Figures in Rand

	2015	2014 Restated*
Investment property held at fair value	20 132 500	19 078 170
Opening balance	19 078 170	17 567 700
Transfers	-	105 000
Fair value adjustments	1 054 330	1 405 470
	20 132 500	19 078 170
Fair value of investment property	20 132 500	19 078 170

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

The date of the revaluations was on 30 June 2015. The valuation was performed by Igshaan Oosterwyk, an employee of Saldanha Bay Municipality. Igshaan Oosterwyk is a registered Professional Associated Valuer with the SA Council for Valuers Profession, registration number 5902, and member of the SA Institute of Valuers and have the appropriate experience in performing the valuation of the investment property.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on depreciated replacement costs.

All assumptions used were based on current market conditions.

The investment property has not been pledged as security.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

12. Heritage assets

as at 30 June 2015	Cultural buildings	Antiques	Historical monuments	Historical buildings	Total
Cost	<u>857 976</u>	<u>12 000</u>	<u>204 326</u>	<u>348 500</u>	<u>1 422 802</u>
as at 30 June 2014 Restated*	Cultural buildings	Antiques	Historical monuments	Historical buildings	Total
Cost	<u>857 976</u>	<u>12 000</u>	<u>204 326</u>	<u>348 500</u>	<u>1 422 802</u>

Reconciliation of heritage assets 2015

	Cultural buildings	Antiques	Historical buildings	Historical monuments	Total
Opening balance	<u>857 976</u>	<u>12 000</u>	<u>348 500</u>	<u>204 326</u>	<u>1 422 802</u>
Closing balance	<u>857 976</u>	<u>12 000</u>	<u>348 500</u>	<u>204 326</u>	<u>1 422 802</u>

Reconciliation of heritage assets 2014

	Cultural building	Antiques	Historical building	Historical monuments	Total
Opening balance	<u>857 976</u>	<u>12 000</u>	<u>348 500</u>	<u>204 326</u>	<u>1 422 802</u>
Closing balance	<u>857 976</u>	<u>12 000</u>	<u>348 500</u>	<u>204 326</u>	<u>1 422 802</u>

Figures in Rand	2015	2014 Restated*

13. Payables from exchange transactions

Trade payables	56 605 969	57 864 406
Payments received in advance	5 218 166	3 578 958
Retentions	6 344 645	7 985 107
Other payables	675 048	336 325
Unidentified payments debtors	327 629	787 672
	<u>69 171 457</u>	<u>70 552 468</u>

14. Consumer deposits

Electricity	9 636 668	8 875 343
Water	5 789 254	5 354 771
Total	<u>15 425 922</u>	<u>14 230 114</u>

Guarantees held in lieu of electricity and water deposits	<u>4 423 031</u>	<u>2 662 396</u>
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Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent government grants	13 998 139	17 748 551
Unspent other grants and subsidies	968 177	976 177
Unspent Industrial Development Corporation grant	-	1 187 596
Unspent Transnet grant	6 347 746	-
Unspent Housing agent projects	7 668 086	-
	28 982 148	19 912 324

Movement during the year

Balance at the beginning of the year	19 912 324	14 645 144
Receipts during the year	74 730 085	72 602 748
Interest for the year	306 984	151 474
Income recognition during the year	(55 704 276)	(54 814 831)
Other conditions met during the year - agent	(10 262 969)	(12 672 211)
Balance unspent at end of the year	28 982 148	19 912 324

These unspent amounts are invested until utilised.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	-	50 000
Current year receipts	1 086 000	1 554 000
Conditions met - transferred to revenue	(1 086 000)	(1 604 000)
	-	-

Financial Management Grant (FMG)

Current year receipts	1 450 000	1 300 000
Conditions met - transferred to revenue	(1 450 000)	(1 300 000)
	-	-

Municipal Infrastructure Grant (MIG)

Current year receipts	18 389 000	17 937 000
Conditions met - transferred to revenue	(18 389 000)	(17 937 000)
	-	-

Municipal Systems Improvement Grant (MSIG)

Current year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

Other grants and subsidies

Balance unspent at beginning of year	976 178	1 156 400
Current year receipts	484 610	1 291 168
Conditions met - transferred to revenue	(492 610)	(1 471 390)
Conditions still to be met	968 178	976 178

Public Transport Infrastructure Grant (PTIS)

Current year receipts	77 520	66 000
Conditions met - transferred to revenue	(77 520)	(66 000)
	-	-

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
15. Unspent conditional grants and receipts (continued)		
Human Settlement Development Grant		
Balance unspent at beginning of year	11 078 025	11 157 810
Current year receipts	36 705 955	36 357 194
Current year receipts - agent	14 695 184	12 235 351
Services - capital projects	22 010 771	24 121 843
Conditions met	(32 609 094)	(36 436 979)
Conditions met - agent	(10 262 969)	(12 672 211)
Conditions met - transferred to revenue	-	(654 380)
Services - capital projects	(22 346 125)	(23 110 388)
Conditions still to be met	15 174 886	11 078 025
Sport and Recreation Grant		
Balance unspent at beginning of year	1 244 915	1 199 099
Interest	78 987	45 816
Conditions still to be met	1 323 902	1 244 915
Industrial Development Corporation		
Balance unspent at beginning of year	1 187 596	-
Current year receipts	-	1 754 386
Conditions met - transferred to revenue	(1 187 596)	(566 790)
Conditions still to be met	-	1 187 596
Provincial Library grant		
Balance unspent at beginning of year	66 463	608 212
Current year receipts	3 828 000	653 000
Interest	-	21 121
Conditions met - transferred to revenue	(3 894 463)	(1 215 870)
Conditions still to be met	-	66 463
Saldanha Bay Wireless Mesh		
Balance unspent at beginning of year	2 884 537	-
Current year receipts	-	2 800 000
Interest	201 340	84 537
Conditions still to be met	3 085 877	2 884 537
Transnet Donation		
Current year receipts	8 000 000	-
Conditions met - transferred to revenue	(1 652 255)	-
Conditions still to be met	6 347 745	-
Compliance Management system		
Current year receipts	75 000	-
Conditions met - transferred to revenue	(75 000)	-
	-	-

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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15. Unspent conditional grants and receipts (continued)

Financial management support grant		
Current year receipts	1 700 000	-
Interest	26 657	-
Conditions still to be met	1 726 657	-
 Integrated electrification programme		
Current year receipts	2 000 000	-
Conditions met - transferred to revenue	(2 000 000)	-
	-	-
 Contribution towards the acceleration of housing delivery		
Balance unspent at beginning of year	2 474 610	473 623
Current year receipts	-	8 000 000
Conditions met - transferred to revenue	(2 119 707)	(5 999 013)
Conditions still to be met	354 903	2 474 610

16. Borrowings

At amortised cost		
Total borrowings	42 549 178	53 595 705
	-	-
Balance beginning of the year	53 595 705	65 463 191
Loans redeemed	(11 046 527)	(11 867 486)
Balance at year end	42 549 178	53 595 705

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Non-current liabilities		
Borrowings	35 117 096	42 950 390
	-	-
Current liabilities		
Borrowings	7 432 082	10 645 315

Pledged as security

The municipality obtained a loan from Nedbank in the past with the condition that the assets purchased by way of this loan must be ceded to Nedbank until the loan has been repaid. This loan has been repaid in full on 30 June 2015. There are no other assets pledged as security for external borrowings.

Long term borrowings are repaid over periods varying from 10 to 28 years (2014: 10 to 28 years) and at interest rates varying from 6.75% to 12.95% (2014: 6.75% to 12.95%) per annum.

The fair value of the long term liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
17. Finance lease obligation		
Minimum lease payments due		
- within one year	351 498	471 121
- in second to fifth year inclusive	-	349 919
	<hr/>	<hr/>
Less: future finance charges	351 498	821 040
	(11 464)	(54 364)
	<hr/>	<hr/>
	340 034	766 676
Present value of minimum lease payments due		
- within one year	340 034	427 553
- in second to fifth year inclusive	-	339 123
	<hr/>	<hr/>
	340 034	766 676
Non-current liabilities	-	339 123
Current liabilities	340 034	427 553
	<hr/>	<hr/>
	340 034	766 676

The term period pertaining to this lease is 5 years. Interest rates are linked to the prime interest rate at the contract date. The lease has fixed repayments and no arrangements has been entered into for contingent rent. The municipality obligation under the finance lease is secured by the lessor's charge over the leased asset.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
18. Employee benefit obligation		
Total employee benefit obligation liability		
Present value of post retirement healthcare benefits	86 588 882	75 076 000
Present value of long service awards	13 569 075	13 513 000
Staff leave and bonuses	20 086 861	17 849 325
	120 244 818	106 438 325

The liability is split between:

Non-current liabilities

Present value of the post retirement healthcare benefits	84 016 418	72 321 000
Present value of the long service awards	12 652 422	12 251 000
	96 668 840	84 572 000

Current liabilities

Present value of the post retirement healthcare benefits	2 572 464	2 755 000
Present value of the long service awards	916 653	1 262 000
Present value of the staff leave and bonuses	20 086 861	17 849 325
	23 575 978	21 866 325

The actuarial valuation was performed by Chanan Weiss from ARCH Actuarial Consulting CC (Registration 1998/023194/23). ARCH Actuarial Consulting CC is not connected to the municipality.

Reconciliation of employee benefit obligations

18.1 Post retirement healthcare benefit

Defined benefit plan

Present value of the defined benefit obligation	86 588 882	75 076 000
Non-current liabilities	84 016 418	72 321 000
Current liabilities	2 572 464	2 755 000
	86 588 882	75 076 000

Changes in the present value of the defined benefit obligation:

Opening balance	75 076 000	68 404 526
Benefits paid	(2 617 091)	(2 372 421)
Nett expense recognised in the statement of financial performance	14 129 973	9 043 895
Closing balance	86 588 882	75 076 000

Net expense recognised in the statement of financial performance:

Employee cost	7 375 972	3 197 712
Finance cost	6 754 000	5 846 183
	14 129 972	9 043 895

Net expense recognised in the statement of financial performance:

Current service cost	3 456 091	3 004 237
Finance cost	6 754 000	5 846 183
Actuarial loss	3 919 881	193 475
	14 129 972	9 043 895

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

Restated*

18. Employee benefit obligation (continued)

The post retirement medical healthcare benefit is a defined benefit plan and consists of the fixed contribution percentage that is paid to various medical aid plans by the municipality consisting of LA Health, Key Health, Bonitas, Fed Health, Samwumed and Hosmed.

The employees of Saldanha bay municipality and their dependants are currently entitled to a subsidy of 70% of the medical scheme contributions after they retire or in the case of death. This percentage is reduced if an employee did not complete a required number of service before retirement. Widow(er)s and orphans of in-service members are entitled to a subsidy of 60% of the contribution payable. Upon a member's death-in retirement, the surviving dependants will continue to receive the same benefits.

Key assumptions used for the post retirement healthcare benefit

Discount rate

An appropriate discount rate was used to determine the present value of the future medical aid contributions payable by the municipality. The discount rate together with the assumed rate of medical scheme contribution inflation has the largest effect on the calculated liability. The discount rate was set as the yield on the R209 South African bond as at the valuation date. The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation.

	2015	2014
<u>Financial variables</u>		
Discount rate	8.77%	8.94%
CPI	6.48%	7.05%
Medical aid contribution inflation	7.98%	8.05%
Net effective discount rate	0.73%	0.82%

Withdrawals

Allowance was made for the withdrawals of existing members and the assumed withdrawal rates as listed below:

Age	Females	Males
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

Retirement age

The average retirement age was assumed to be 63 years. The normal retirement age is 65 years.

Mortality rates

The data as per the SA85-90 mortality tables were used for in-service employees. Mortality for post-employment employees has been based on the PA (90) ultimate mortality tables.

Spouses and dependants

It is assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. It was also assumed that female spouses would be five years younger than their male spouses at retirement.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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18. Employee benefit obligation (continued)

Other assumptions

Assumed healthcare cost trends have a significant effect on amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effect:

Healthcare benefits	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	R 12 074 000	R 8 532 000
Effect on defined benefit obligation	R 101 506 000	R 74 586 000

The present value of the obligation for the current and for the previous four periods are as follows:

	2015	2014	2013	2012	2011
Healthcare benefit obligation	R 86 589 000	R 75 076 000	R 68 405 000	R 61 122 000	R 56 719 000

Employer's best estimate of contributions expected to be paid in respect of the healthcare benefit obligation

	2016	2017
Estimated contribution	R 5 307 700	R 5 773 033

18.2 Long service awards

Other long term employee benefit obligation

Present value of the liability	<u>13 569 075</u>	<u>13 513 000</u>
Non-current liabilities	12 652 422	12 251 000
Current liabilities	916 653	1 262 000
	<u>13 569 075</u>	<u>13 513 000</u>

Changes in the present value of the liability:

Opening balance	13 513 000	11 521 000
Benefits paid	(1 182 601)	(702 360)
Net expense recognised in the statement of financial performance	1 238 676	2 694 360
Closing balance	<u>13 569 075</u>	<u>13 513 000</u>

Summary of net expense recognised in the statement of financial performance:

Employee cost	138 676	1 834 360
Finance cost	1 100 000	860 000
	<u>1 238 676</u>	<u>2 694 360</u>

Net expense recognised in the statement of financial performance:

Current service cost	1 204 601	1 150 000
Finance cost	1 100 000	860 000
Actuarial losses (gain)	(1 065 925)	684 360
	<u>1 238 676</u>	<u>2 694 360</u>

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

Restated*

18. Employee benefit obligation (continued)

The long-service award is payable after every 5 years of continuous service. The long service award provision is an estimate of the liability based on the current staff turnover. All permanent employees are entitled to a specified number of days additional leave plus additional remuneration based on their completed years of service. The employee may convert the additional leave into a cash amount. At the end of 30 June 2015 the total number of employees were 997 (2014: 991)

Key assumptions used for the long service awards

Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. Consequently, a discount rate of 8.07% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.32%. These rates do not reflect any adjustment for taxation. These rates were deducted from the Johannesburg Stock Exchange Zero Coupon bond yield after the market close in 1 June 2015.

	2015	2014
<u>Financial variables</u>		
Discount rate	8.07%	7.96%
Consumer price inflation	6.17%	6.33%
Normal salary increase rate	7.17%	7.33%
Net effective discount rate	0.84%	0.59%

Normal salary inflation rate

The assumed rate of salary inflation was set as the expected future CPI plus 1%. In addition to the normal salary inflation rate, the following promotional salary increases were assumed:

Age	Promotional increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Retirement age

The average retirement age was assumed to be 63 years. The normal retirement age is 65 years. These assumptions implicitly makes an allowance for expected rates of early and ill-health retirement.

Mortality rates

The data as per the SA85-90 mortality tables were used.

Withdrawal

The assumed rates of withdrawal from service is set out below:

Age	Females	Males
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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18. Employee benefit obligation (continued)

Other assumptions

The assumed general salary inflation rate cost trends have a significant effect on amounts recognised in surplus or deficit. A one percentage point change in assumed long service benefit obligation cost trends rates would have the following effect:

Long service benefit obligation	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	R 2 631 000	R 2 167 000
Effect on defined benefit obligation	R 14 674 000	R 12 585 000

The present value of the obligation for the current and for the previous two periods are as follows:

	2015	2014	2013
Long service benefit obligation	R 13 569 075	R 13 513 000	R 11 521 000

Employer's best estimate of contributions expected to be paid in respect of the long service benefit obligation

	2016	2017
Estimated contribution	R 1 303 888	R 1 409 117

18.3 Staff leave

Staff leave reconciliation

Opening balance	11 533 460	10 804 731
Paid	(1 099 012)	(1 434 745)
Net expense recognised in the statement of financial performance	2 637 022	2 163 473
Closing balance	13 071 470	11 533 459

18.4 Bonuses

Bonuses reconciliation

Opening balance	6 315 866	5 966 969
Paid	(6 315 866)	(5 966 969)
Net expense recognised in the statement of financial performance	7 015 391	6 315 866
Closing balance	7 015 391	6 315 866

18.5 Multi employer plans

Retirement benefit information

The Municipality makes provision for post-retirement benefits to eligible councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation for the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions. The total expense recognised in the Statement of Financial Performance for employees comprises R 25 021 181 (2014: R 23 015 302) and councillors of R 211 452 (2014: R 290 033) respectively and represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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18. Employee benefit obligation (continued)

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

Defined benefit scheme

The contribution rate payable under the defined benefit section is 27%, 9% by members and 18% (period 30 June 2009 - 31 January 2012) and 23.06 % (period 1 February 2012 - 30 June 2014) by their councils. The actuarial valuation report at 30 June 2014 disclosed an actuarial valuation amounting to R3,631,518,000 (30 June 2013 : R3,226,863,000), with a net accumulated surplus of R23,343,000 (2013 : R10,030,000 (deficit)), with a funding level of 104.4% (30 June 2013 : 99.7%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2014 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R566,689,000 (30 June 2013 : R483,618,000), net investment reserve of R0 (30 June 2013 : R787,000) and a funding level of 100% (2012 : 99.8%).

The actuary concluded that :

The Pensioner Account has a surplus of R127.3 million and a funding level of 106.2% as at 30 June 2014. The surplus in the Pensioner Account at the valuation date is sufficient to increase the pension increase target from 60% to 70% of price inflation. However, caution is advisable given lower investment returns after the valuation date.

The balance of the DB Section for DB active members has a surplus of R23.3 million and a funding level of 101.7% as at 30 June 2014.

The DC Section has a funding level of 100.0% and no surplus.

There is a future service contribution rate shortfall of 8.98% of salary in respect of the 32 remaining DB active members after the transfer of DB active members to the DC Section.

The Trustees granted a pension increase of 5% effective 1 January 2015 and a bonus of 50% of monthly pension payable in December 2014. Pro-rata pension increases and a bonus applies for pensions in payment for less than one year. The pension increase and bonus are affordable given the healthy funding level of the Pensioner Account and the excellent investment returns achieved over the last three years.

The actuary certified that the Fund is in a sound financial condition as at 30 June 2014. The nature of the assets is suitable for the Fund and the Fund's investment strategy is suitable, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this asset class. Furthermore the assets are appropriately matched relative to the term and nature of the liabilities and the risk benefits for the remaining active members of the DB Section are partially re-insured. This may result in volatile death benefit experience for the Fund. It would be more appropriate to re-insure the full value of these death benefits. Finally the risk benefits of the DC Section are fully re-insured and this is appropriate for the size and nature of the Fund.

Consolidated retirement fund:

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R17,172,854,000 (30 June 2013: R13,607,813,000), with funding levels of 112.6% and 99.9% (30 June 2013 100.2% and 105.1%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account yielded a surplus of R0 and was 100% funded for both 2014 & 2013. The contribution rate paid by the members is (7.50%/9%) and the municipalities (19.50%/18%) are sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities given normal circumstances and that the Fund is in a sound financial condition as at the valuation date. The municipality has 731 employees that are members of this fund as at 30 June 2015.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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18. Employee benefit obligation (continued)

South African Municipal Workers Union National provident fund:

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2,455,947,000 (30 June 2005 : R1,511,461,000), with funding levels of 100% (30 June 2005: 100%). The investment smoothing reserve has increased from 1.2% of the market value of assets (or 1.25% of members' Fund Credits) at the previous valuation date to 4.6% of the market value of assets (or 5.5% of members' Fund Credits) at the current valuation date. The actuary certified that based on the 2011 valuation the Fund's assets are sufficient to cover the members' Fund Credits and Risk Benefits Reserve and to provide for an investment smoothing reserve of 5.5% of members' Fund Credits as at 30 June 2011. In addition, there is a substantial surplus of some R413 million. The Fund is therefore in a very sound financial position. The municipality has 232 employees that are members of this fund as at 30 June 2015.

The Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R1,183,539,452 (30 June 2009 : R1,123,672,020), with funding levels of 100% (30 June 2009: 100%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund has a funding level of 99.5% as at the 30 June 2012 and is therefore technically not financially sound. However they regarded the deficit of R6,407,706 made as relatively insignificant in the context of the Fund. The municipality has 5 councillors that are members of this fund.

Cape Joint Pension Fund:

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme. The municipality has 13 employees that are members of this fund as at 30 June 2015 .

19. Provisions

Environmental rehabilitation provision

Provision for rehabilitation of landfill sites	94 957 598	54 812 328
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Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Closing balance
Provision for rehabilitation of landfill sites	54 812 328	40 593 107	(447 837)	94 957 598

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Closing balance
Provision for rehabilitation of landfill sites	54 244 382	567 946	-	54 812 328

There are 5 sites under consideration, being the Vredenburg landfill, Langebaan landfill, Saldanha (Kalkrug) landfill and two landfill sites in Hopefield. A reconciliation of the environmental rehabilitation provision for these sites is provided below.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

19. Provisions (continued)

	Date of proposed rehabilitation	2015	2014 Restated*
Langebaan	30 June 2017	30 530 223	10 311 555
Vredenburg	28 February 2017	48 152 660	39 568 511
Hopefield (1)	30 June 2019	3 573 068	1 568 911
Hopefield (2)	30 June 2019	4 017 644	1 660 093
Kalkrug	30 June 2019	8 684 003	1 703 258
		94 957 598	54 812 328

The estimation of the liability to rehabilitate the landfill sites was performed by Jan Palm Consulting Engineering CC, a firm of specialist waste management consultants. The firm is registered with the South African Council of Engineers (registration no 870047). Jan Palm Consulting Engineering cc is not connected to the municipality.

An appropriate discount rate, based on CPI was used to determine the present value of the future environmental rehabilitation liability.

The funds to rehabilitate these landfill sites are included in the short term investments. The funds are ring-fenced to ensure that this liability is cash-backed.

20. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Capital replacement reserve	Insurance reserve	Housing development fund	Total
Opening balance	205 006 980	2 189 585	11 901 623	219 098 188
Transfer to capital replacement reserve	42 747 839	-	-	42 747 839
Property, plant and equipment purchases	(176 268 602)	-	(9 258 688)	(185 527 290)
Contribution to insurance reserve	-	500 000	-	500 000
Interest	-	-	507 605	507 605
	71 486 217	2 689 585	3 150 540	77 326 342

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Insurance reserve	Housing development fund	Total
Opening balance	222 496 371	1 689 584	18 175 697	242 361 652
Transfer to capital replacement reserve	77 888 677	-	-	77 888 677
Property, plant and equipment purchases	(95 378 068)	-	(5 220 253)	(100 598 321)
Contribution to insurance reserve	-	500 001	-	500 001
Interest	-	-	847 660	847 660
Housing operating account transactions	-	-	(1 901 481)	(1 901 481)
	205 006 980	2 189 585	11 901 623	219 098 188

The ring-fenced reserves above are represented by cash and bank. These reserves are not invested in separate bank accounts. The balance of each of the above reserves is included in short term deposits, included under cash and cash equivalents. Refer to Note 2.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
21. Service charges		
Sale of electricity	251 464 194	240 474 868
Sale of water	117 265 548	104 466 735
Refuse removal	51 417 334	45 322 917
Sewerage and sanitation charges	49 274 255	45 072 249
Revenue forgone	(27 593 886)	(19 157 610)
	<u>441 827 445</u>	<u>416 179 159</u>
22. Rental of facilities and equipment		
Rental of facilities	<u>12 395 606</u>	<u>11 257 912</u>
23. Interest earned - external investments		
Interest revenue		
SARS	322 366	254 691
Attorneys monies in trust	149 451	-
Banking institutions	28 594 297	24 503 564
	<u>29 066 114</u>	<u>24 758 255</u>
24. Interest earned - outstanding receivables		
Interest earned - outstanding receivables	<u>6 008 186</u>	<u>5 846 029</u>
25. Income from agency services		
Commision: Vehicle licences	<u>4 010 554</u>	<u>3 404 297</u>
26. Licences and permits		
Licences and permits	<u>1 230 370</u>	<u>1 242 754</u>

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
27. Other income from exchange transactions		
Administrative fees	49 619	28 288
Building plan fees	2 378 999	2 015 382
Bad debt recovered	549 803	287 644
Blocked sewers	699	2 820
Bursaries refunded	41 217	22 203
Capital contributions	5 457 883	2 126 545
Cemetery fees	552 770	381 685
Cleaning of open spaces	170 410	-
Clearing certificates	328 363	166 124
Encroachment fees	234 079	97 844
Garden refuse removals	136 084	37 693
Insurance claims	839 912	255 593
Land use planning	204 332	217 897
Legal fees	300 225	407 256
Photocopies and faxes	59 016	55 234
Refuse dump fees	190 091	8 763
Roadworthy certificates	72 979	72 721
Sundry income	2 113 071	617 038
Telephones officials	80 039	102 573
Tender documents	4 482	11 773
Testing of meters	4 194	1 578
Trade union representative	156 220	132 850
Unclaimed monies	943 633	718 942
	14 868 120	7 768 446

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
28. Property rates		
Property rates	160 435 723	149 970 654
Building clause levy	68 029	57 928
Revenue forgone	(9 646 565)	(8 034 190)
	150 857 187	141 994 392

Valuations

Residential	18 302 017 672	17 716 933 258
Business/Commercial	3 608 987 415	3 835 990 566
State	1 367 914 400	1 263 613 200
Municipal	547 077 312	499 860 350
Small holdings and farms	2 085 641 150	2 192 863 850
Other	327 456 200	391 255 712
Total property valuations	26 239 094 149	25 900 516 936

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A residential rate of 0.5945 cents in the rand (2014: 0.5505 cents in the rand) was used to determine assessment rates on categories based on the following ratios:

Residential property	1:1
Small holdings	1:0.95
Residential property	1:0.30
Agricultural property	1:0.10
Public service infrastructure property	1:0.25
Public benefit organisation property	1:0.25
Other property	1:2

Rates are levied on an annual or monthly basis. Interest at prime +1% per annum (2014:prime + 1%) is levied on rates outstanding after the due date for payment.

29. Interest earned - outstanding property rates receivables

Interest earned: Outstanding property rates	2 859 560	2 837 025
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Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
30. Government grants and subsidies		
Operating grants		
Equitable share	46 415 000	38 632 000
Expanded Public Works Programme Grant (EPWP)	1 014 939	1 000 000
Financial Management Grant (FMG)	1 372 150	1 300 000
Municipal Infrastructure Grant (MIG)	919 453	896 850
Municipal Systems Improvement Grant (MSIG)	903 341	772 011
Public Transport Infrastructure Grant (PTIS)	77 520	66 000
SETA - Skills Development Grant	449 634	487 543
Library Grant	3 719 071	652 600
Thusong Centre	-	330 052
Other operating government grants and subsidies	1 270 597	1 049 715
Housing topstructures	-	1 665 769
Community Development Workers Grant (CDW)	34 667	49 200
	56 176 372	46 901 740
Capital grants		
Capital Government Grants and Subsidies	38 961 823	43 935 371
	95 138 195	90 837 111
Unconditional grant		
Unconditional grants received	46 415 000	38 632 000
Equitable Share		
In order to qualify for a 100% indigent subsidy, the qualifying income for a household must be R4 300 or less per month. The income limits for seasonal workers will be calculated over a period of one year.		
The second category is based on an income of R5 350 per month, such households will receive an indigent subsidy of 70% of the abovementioned category.		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act No. 10 of 2014), no significant changes in the level government grant funding are expected over the forthcoming 3 financial years.		
31. Fines		
Building inspections, library books and traffic fines	3 610 043	1 999 737
Key assumptions made with the recognition of revenue on traffic fines:		
Revenue from cash receipts of traffic fines for the year is reduced with the total prior year traffic fines outstanding, as the assumption is made that all traffic fines issued in the prior year were paid for in the current year. This adjustment is made in order to account for revenue which is earned in the current year only.		
32. Other income from non-exchange transactions		
VAT on DORA grants	2 135 967	2 046 411
Legal fees refunded	-	786 295
Donated assets	282 090	557 669
	2 418 057	3 390 375

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
33. Employee related costs		
Acting allowances	1 579 473	1 326 206
Bargaining council levy	78 834	73 807
Basic salaries	147 391 876	137 368 601
Bonuses	11 566 592	10 700 923
Employers contributions: Defined contribution plans	25 021 181	23 015 302
Employers contributions: Group life insurance	2 498 673	2 270 394
Employers contributions: Health care	8 091 963	7 344 304
Employers contributions: UIF	1 351 109	1 285 593
Employers contributions: WCA	1 617 288	1 635 139
Expense: Post retirements healthcare benefits	7 375 971	3 197 712
Housing allowance	963 426	861 900
Long-service awards	138 676	1 834 360
Municipal staff: Leave Gratuity	2 637 022	2 163 473
Other allowances	101 558	221 267
Overtime	13 515 564	13 127 475
Scarcity allowance municipal staff	83 725	78 403
SDL	1 892 733	1 773 638
Standby allowance municipal staff	5 095 766	4 609 269
Traveling allowance	11 967 104	9 268 375
Telephone allowance	936 016	620 363
Less: Employee costs capitalised to PPE	(1 110 053)	(2 523 166)
Total	242 794 497	220 253 338

The remuneration of staff is within the upper limits of the SALGA bargaining council determinations.

34. Remuneration of councillors

Traveling allowances	1 035 857	1 024 414
Basic salaries	6 265 185	5 999 634
Healthcare contributions	64 404	62 265
Housing benefits and allowances	462 498	404 094
Pension contributions	211 452	290 033
SDL	80 800	76 152
Telephone cost	521 700	511 433
Total	8 641 896	8 368 025

The remuneration of political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution. Refer to note 55 for the break

35. Depreciation, amortisation and impairment losses

Property, plant and equipment	107 887 508	88 490 615
Intangible assets	1 081 767	1 358 893
	108 969 275	89 849 508

36. Finance costs

Provision for the rehabilitation of landfill site	2 313 082	567 946
Borrowings	5 257 466	6 428 801
Unspent conditional grants	306 986	167 693
Employee benefit obligation	7 854 000	6 706 183
Borrowing cost capitalised	-	(33 430)
Finance leases	47 686	74 150
	15 779 220	13 911 343

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
37. Debt impairment		
Impairment - Trade and other receivables from exchange transactions	8 949 871	6 338 209
Impairment - Trade and other receivables from non-exchange transactions	(658 170)	6 046 480
	8 291 701	12 384 689
38. Bulk purchases		
Electricity	176 468 653	165 251 074
Water	59 513 723	55 837 886
	235 982 376	221 088 960
39. Contracted services		
Commission and management fee - Itron	3 542 274	3 041 217
40. Transfers and subsidies		
Other subsidies		
Saldanha Bay Tourism Organisation	2 109 639	2 001 550

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
41. General expenses		
Advertising	1 019 758	849 500
Audit fees	4 208 029	4 160 020
Bank charges	2 213 871	1 833 089
Bursaries	447 259	519 978
Commission paid	60 984	-
Conferences and delegations	205 591	179 235
Digging and expansion of graves	411 315	363 914
Entertainment	339 700	298 280
Environmental awareness	531 215	108 683
Eskom	2 606 952	2 357 287
External toilet project	786 373	3 613 059
Firebrigade fees - WCDM	3 273 743	458 848
Fuel and oil	12 962 035	13 940 160
Social development programs	417 418	583 475
Housing	-	878 759
Insurance	1 827 887	1 721 990
Legal expenses	1 166 560	665 358
License fees - vehicles	962 263	939 935
License fees - computers	110 960	358 487
Magazines, books and periodicals	20 832	52 305
Membership fees	2 240 364	1 990 686
Operating: Landfill site	989 779	1 146 593
Other	1 901 390	3 455 728
Postage	1 082 163	1 051 150
Printing and stationery	1 957 166	1 701 365
Professional fees	3 548 965	3 361 091
Remuneration of ward committees	628 056	621 193
Rental of buildings	2 495 099	2 029 297
Rental of office equipment	138 718	100 176
Rental of computer equipment	39 418	50 573
Rental others	1 443 328	1 304 145
Sanitary services	1 858 214	727 039
Security costs	6 118 831	6 581 211
Stocks and material	2 683 551	2 876 774
Telephone cost	3 420 088	2 755 879
Training	3 245 761	3 150 498
Transport claims	-	91
Travel - overseas	86 825	-
Travel and subsistence	1 363 368	1 543 621
Uniforms	2 357 969	1 555 899
Valuation costs	287 895	286 732
	71 459 693	70 172 103
42. Fair value adjustment		
Investment property carried at fair value	1 054 330	1 405 470

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
43. Non-current receivables		
Housing selling scheme loans	760 310	974 023
Impairment for housing scheme loans	(760 310)	(974 023)
Total	-	-

Reconciliation of non-current receivables impairment provision

Balance at the beginning of the year	(974 023)	(1 119 941)
Reversal of contribution	112 432	145 918
Debt impairment written-off against allowance	101 281	-
	(760 310)	(974 023)

On 30 June 2015, non-current receivables of R760 310 (2014: R974 023) were fully impaired and provided for. An amount of R 101 281 was written-off as irrecoverable.

44. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	75 084 810	75 084 810
Trade and other receivables from non-exchange transactions	19 348 403	19 348 403
Cash and cash equivalents	395 599 128	395 599 128
	490 032 341	490 032 341

Financial liabilities

	At amortised cost	Total
Borrowings	(42 549 178)	(42 549 178)
Finance lease obligation	(340 034)	(340 034)
Payables from exchange transactions	(69 171 457)	(69 171 457)
Consumer deposits	(15 425 922)	(15 425 922)
	(127 486 591)	(127 486 591)

2014

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	74 832 181	74 832 181
Trade and other receivables from non-exchange transactions	22 919 280	22 919 280
Cash and cash equivalents	420 427 711	420 427 711
	518 179 172	518 179 172

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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44. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Borrowings	(53 595 705)	(53 595 705)
Finance lease obligation	(766 676)	(766 676)
Payables from exchange transactions	(70 552 468)	(70 552 468)
Consumer deposits	(14 230 114)	(14 230 114)
	(139 144 963)	(139 144 963)

Financial instruments in Statement of financial performance

2015	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	29 066 114	29 066 114
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(15 779 220)	(15 779 220)
	13 286 894	13 286 894

2014

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	24 758 255	24 758 255
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(13 911 343)	(13 911 343)
	10 846 912	10 846 912

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

45. Prior period errors and change in accounting policy

Statement of Financial Position 30 June 2014

	As previously reported	Correction of error	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	420 427 711	-	-	420 427 711
Inventories	10 066 976	47 314	-	10 114 290
Trade and other receivables from exchange transactions	82 624 119	(7 791 938)	-	74 832 181
Trade and other receivables from non-exchange transactions	24 256 571	(1 337 291)	-	22 919 280
Prepayments	2 527 273	4 706	-	2 531 979
Operating lease asset	867 019	(506 257)	-	360 762
VAT receivable	-	8 163 915	(4 710 143)	3 453 772
Non-current receivables	24 176	-	(24 176)	-
	540 793 845	(1 419 551)	(4 734 319)	534 639 975
Non-Current Assets				
Property, plant and equipment	2 059 891 786	(4 027 870)	24 176	2 055 906 637
Intangible assets	3 260 075	-	-	3 260 075
Investment property	4 000 000	15 078 170	-	19 078 170
Heritage assets	1 074 302	348 500	-	1 422 802
	2 068 226 163	11 398 800	24 176	2 079 667 684
Total Assets	2 609 020 008	9 979 249	(4 710 143)	2 614 307 659
Liabilities				
Current Liabilities				
Payables from exchange transactions	89 336 783	(934 990)	(17 849 325)	70 552 468
Consumer deposits	14 230 114	-	-	14 230 114
Unspent conditional grants and receipts	17 945 282	1 967 042	-	19 912 324
Borrowings	10 645 315	-	-	10 645 315
Finance lease obligation	424 253	3 300	-	427 553
Operating lease liability	48 003	104 753	-	152 756
Employee benefit obligation	4 017 000	-	17 849 325	21 866 325
VAT payable	4 676 936	33 207	(4 710 143)	-
	141 323 686	1 173 312	(4 710 143)	137 786 855
Non-Current Liabilities				
Borrowings	42 950 390	-	-	42 950 390
Finance lease obligation	339 123	-	-	339 123
Employee benefit obligation	84 572 000	-	-	84 572 000
Provisions	54 812 328	-	-	54 812 328
	182 673 841	-	-	182 673 841
Total Liabilities	323 997 527	1 173 312	(4 710 143)	320 460 696
Net Assets	2 285 022 481	8 805 937	-	2 293 846 963
Net Assets				
Accumulated surplus	2 285 022 481	8 824 482	-	2 293 846 963

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

45. Prior period errors and change in accounting policy (continued)

Inventories

Inventory on housing top structures for Wesbank project was understated, now corrected.

Trade and other receivables from exchange transactions

VAT on provision for impairment on consumer debtors corrected as VAT was not previously included in the provision for impairment.

Trade and other receivables from non-exchange transactions

Provision for impairment on housing debtor was adjusted due to 2012/13 correction of housing debtors after final actual expenditure has been received.

Prepayments

Prepayments were made in respect of a lease rental in 2013/14 financial year, incorrectly expensed and now corrected.

Operating lease asset

Correction of operating lease asset to be in accordance with straight lining.

VAT receivable

VAT receivable adjusted to provide for VAT on provision for impairment on outstanding debtors as VAT was previously not included in provision.

Non current assets held for sale

Reclassification of asset held for sale to PPE according to GRAP 100. Previously disclosed separately in AFS.

Property, plant and equipment

Reclassification of assets held for sale, and the correction of investment property previously classified as PPE.

Investment property

Investment property was analysed in order to ensure that all the assets are correctly disclosed. Investment property previously classified as PPE has been transferred to investment property. These investment property was also revalued retrospectively and disclosed at fair value.

Heritage assets

After a completeness test was performed , it was found that erf 8201, Saldanha was previously classified as PPE and should be a heritage asset in accordance with the definition. This was corrected.

Payables from exchange transactions

Reclassification of leave accrual and bonuses to employee benefit obligation. Incorrect allocation of VAT on vehicles, under stated security expenditure and over provision for electricity bulk purchases corrected.

VAT payable

Reclassification from VAT payable to VAT receivable due to VAT adjustment on debtors impairment provision and VAT correction on expenditure for security expenditure.

Unspent conditional grants

Interest on unspent grants was previously calculated incorrectly, and portion of VAT on DORA grant incorrectly recognised as revenue re-allocated to unspent grants.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Finance lease obligation

Correction of finance cost for a tablet purchased that not included in previous years figures.

Operating lease liability

Correction of the opening balance of the lease liability that was not taken into account with straight lining of operating leases liability on 30/6/2014.

Employee benefit obligation

Reclassification of leave accrual and bonuses from payables from exchange transactions to employee benefit obligation.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

45. Prior period errors and change in accounting policy (continued)

Statement of Financial Performance for the year ended 30 June 2014

	As previously reported	Correction of error	Reclassifying adjustments	Restated*
Revenue				
Revenue from exchange transactions				
Service charges	414 361 177	-	1 817 982	416 179 159
Rental of facilities and equipment	11 594 012	(336 100)	-	11 257 912
Interest earned - investments	24 503 565	254 690	-	24 758 255
Interest earned - outstanding receivables	2 381 413	3 464 616	-	5 846 029
Agency services	3 404 297	-	-	3 404 297
Licences and permits	1 242 754	-	-	1 242 754
Gains on disposal of assets	-	-	205 688	205 688
Other income	10 172 985	(28 888)	(2 375 651)	7 768 446
Total revenue from exchange transactions	467 660 203	3 354 318	(351 981)	470 662 540
Revenue from non-exchange transactions				
Property rates	141 994 392	-	-	141 994 392
Interest earned - outstanding property rates	6 301 641	(3 464 616)	-	2 837 025
Government grants and subsidies	90 837 111	-	-	90 837 111
Fines	1 999 737	-	-	1 999 737
Other income	3 543 273	(710 567)	557 669	3 390 375
Total revenue from non-exchange transactions	244 676 154	(4 175 183)	557 669	241 058 640
Total revenue	712 336 357	(820 865)	205 688	711 721 180
Expenditure				
Employee related costs	220 329 490	-	(76 152)	220 253 338
Remuneration of councillors	8 291 873	-	76 152	8 368 025
Loss on disposal of assets	-	-	226 720	226 720
Depreciation, amortisation and impairment losses	89 849 508	-	-	89 849 508
Finance costs	13 907 299	4 044	-	13 911 343
Debt impairment	13 084 331	(699 642)	-	12 384 689
Collection costs	590 621	-	-	590 621
Repairs and maintenance - materials and payments to suppliers	26 999 881	-	-	26 999 881
Bulk purchases	222 878 318	(1 789 358)	-	221 088 960
Contracted services	3 041 217	-	-	3 041 217
Transfers and subsidies	2 001 550	-	-	2 001 550
Inventories written-off	4 389 152	(47 314)	-	4 341 838
General expenses	69 843 966	328 137	-	70 172 103
Total expenditure	675 207 206	(2 204 133)	226 720	673 229 793
Operating (deficit) surplus	37 129 151	1 383 268	(21 032)	38 491 387
Fair value adjustments	535 000	870 470	-	1 405 470
Gain on non-current assets held for sale or disposal groups	(21 032)	-	21 032	-
	513 968	870 470	21 032	1 405 470
Surplus for the year	37 643 119	2 253 738	-	39 896 857

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Service charges

Reclassification of connection and re-connection fees from other revenue to service charges.

Rental of facilities and equipment

Straight lining of operating lease assets calculated incorrectly in previous financial year is now corrected.

Interest earned - external investments

Accounting for refunding of interest on penalties incorrectly charged by SARS since 1 September 2013.

Interest earned - outstanding receivables

A portion of interest on service charges was previously incorrectly included in interest on property rates that has now been corrected.

Other income - exchange transactions

Reclassification of connection and re-connection fees from other income to service charges. A credit on VAT review expense was incorrectly treated as VAT review revenue that has now been re- allocated to VAT review expense. Donated assets revenue reclassified as other income - non exchange transactions.

Interest earned - outstanding property rates

A portion of interest on outstanding service charges was previously incorrectly included in interest on outstanding property rates.

Finance cost

Correction of interest on unspent grants incorrectly calculated.

Debt impairment

Impairment on housing grant was reduced due to a 2012/2013 year correction on grant debtor.

Bulk purchases

An over provision for electricity bulk purchases in previous financial year has now been corrected.

Inventories written-off

Inventory written out as expenditure on housing top structures for Wesbank project was overstated and has now been corrected.

General expenditure

General expenditure restated to correct expenditure that should have been accounted for in the prior periods.

Fair value adjustment

Fair value adjustment of investment property after reclassification and completeness test were performed.

Gain / Loss on disposal of assets

Gains and losses on disposal of assets reclassified to revenue and expenditure as it is not required to be presented separately.

Other income from non exchange transactions

Correction of a portion of VAT on DORA grants incorrectly recognised as revenue. Donated assets revenue reclassified from other income - exchange transactions

Employee related cost

SDL for councillors re-allocated from employee related cost to remuneration of councillors.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

45. Prior period errors and change in accounting policy (continued)

Statement of Financial Position 30 June 2013

	As previously reported	Correction of error	Reclassifying adjustments	Restated*
Assets				
Current assets				
Cash and cash equivalents	432 251 920	-	-	432 251 920
Inventories	11 640 458	-	-	11 640 458
Trade and other receivables from exchange transactions	69 064 778	(7 442 153)	-	61 622 625
Trade and other receivables from non-exchange transactions	24 818 585	(2 313 886)	-	22 504 699
Prepayments	206 115	-	-	206 115
Operating lease asset	915 845	(170 158)	-	745 687
VAT receivable	2 897 562	7 493 028	-	10 390 590
Non-current receivables	42 721	-	(42 721)	-
	541 837 984	(2 433 169)	(42 721)	539 362 094
Non-current assets				
Property, plant and equipment	2 004 651 576	(4 024 300)	42 721	2 000 669 997
Intangible assets	2 968 572	-	-	2 968 572
Investment property	3 465 000	14 102 700	-	17 567 700
Heritage assets	1 074 302	348 500	-	1 422 802
	2 012 159 450	10 426 900	42 721	2 022 629 071
Total assets	2 553 997 434	7 993 731	-	2 561 991 165
Liabilities				
Current liabilities				
Payables from exchange transactions	79 998 764	446 702	-	80 445 466
Consumer deposits	13 142 958	-	-	13 142 958
Unspent conditional grants and receipts	12 665 926	975 479	-	13 641 405
Borrowings	11 903 594	-	-	11 903 594
Finance lease obligation	310 112	-	-	310 112
Operating lease liability	102 849	785	-	103 634
Employee benefit obligation	3 037 788	-	-	3 037 788
	121 161 991	1 422 966	-	122 584 957
Non-current liabilities				
Borrowings	53 559 596	-	-	53 559 596
Finance lease obligation	764 386	-	-	764 386
Employee benefit obligation	76 887 738	-	-	76 887 738
Provisions	54 244 382	-	-	54 244 382
	185 456 102	-	-	185 456 102
Total liabilities	306 618 093	1 422 966	-	308 041 059
Net assets	2 247 379 341	6 570 765	-	2 253 950 106
Net assets				
Reserves				
Housing development fund	18 175 697	-	(18 175 697)	-
Accumulated surplus	2 229 203 644	6 570 765	18 175 697	2 253 950 106
Total Net Assets	2 247 379 341	6 570 765	-	2 253 950 106

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Property, plant and equipment

Re-classification of investment property, heritage assets and assets held for sale previously classified as PPE.

Heritage assets

After a completeness test was performed, it was found that erf 8201, Saldanha was previously classified as PPE and should be a heritage asset in accordance with the definition. This has been corrected.

Investment property

Investment property was analysed in order to ensure that all properties included in this category is correctly classified in accordance with GRAP 16. The interpretation of the definition was made more clear by the ASB and therefore we could now correctly classify these assets. Investment properties was also revalued retrospectively and disclosed at fair value.

Trade and other receivables from exchange transactions

VAT on provision for impairment on trade receivables retrospectively corrected. Previously no provision was made for VAT on impairment. VAT recognised as revenue corrected.

Trade and other receivables from non exchange transactions

Correction of expenditure allocation that was previously incorrectly allocated to EPWP resulted in a correction of the debtor. Also see VAT adjustment explained below.

Non current assets held for sale

Reclassification of assets held for sale to PPE according to GRAP 100. Previously disclosed separately in AFS.

Operating lease asset

Adjustment on the operating lease asset after incorrect calculation of the straight lining of the rental contracts.

VAT receivable

VAT receivable adjusted retrospectively to include VAT on provision for impairment on outstanding receivables.

Payables from exchange transactions

Security services tariffs in respect of Bitline Security services correctly applied retrospectively necessitated correction.

Unspent conditional grants

Interest on unspent grants for 2011/12 and 2012/13 was incorrectly calculated and now corrected, as well as a portion of VAT on DORA grants recognised as revenue re allocated to unspent grant.

Operating lease liability

Adjust operating lease liability to be in line with lease register. Mabre Trust office space was incorrectly calculated.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
46. Cash generated from operations		
Surplus	34 655 653	39 896 857
Adjustments for:		
Depreciation, amortisation and impairment losses	108 969 275	89 849 508
Fair value adjustments	(1 054 330)	(1 405 470)
Leased assets	-	(107 899)
Debt impairment	8 291 701	12 384 689
Movements in operating lease assets and liabilities	(78 743)	434 047
Movements in employee benefit obligation	13 806 493	26 512 799
Movements in provisions	1 865 245	567 946
Gain on disposal of assets non - cash	(190 121)	(205 688)
Loss on disposal of assets non-cash	992 079	226 720
Donated assets non - cash	(282 090)	(557 669)
Changes in working capital:		
Inventories	251 302	1 526 168
Trade and other receivables from exchange transactions	(9 638 401)	(21 142 643)
Trade and other receivables from non-exchange transactions	4 229 047	(5 616 574)
Prepayments	(122 478)	(2 325 864)
Non-current receivables	112 432	145 918
Payables from exchange transactions	(1 381 011)	(9 892 998)
VAT	1 676 177	7 541 284
Unspent conditional grants and receipts	9 069 824	6 270 919
Consumer deposits	1 195 808	1 087 156
	172 367 862	145 189 206
47. Utilisation of long-term liabilities reconciliation		
Long term liabilities	42 549 178	53 595 705
Utilised to finance property, plant and equipment - at cost	(42 549 178)	(53 595 705)
Balance at year end	-	-
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.		
48. Change in accounting estimate		
During the year under review the municipality assessed the conditions of intangible assets as well as infrastructure and other assets. The estimation of rehabilitation costs for the land fill sites resulted in additional depreciation. The change in accounting estimate led to a net increase (decrease) in depreciation to the amounts of 2015: R3 242 873 (2014: (R13 373 250) per year. Refer to note -9 and 10. The estimation of rehabilitation costs for the land fill sites resulted in the provision being increased that resulted in additional increase in the assets and provision of R38 280 025 (2014: R nil).		
Category and reason for change in accounting estimate		
Intangible Assets - Remaining useful lives reviewed	(982 374)	(212 667)
Infrastructure assets - Remaining useful lives reviewed	(1 055 583)	(13 160 583)
Landfill sites - increased estimated rehabilitation costs	5 280 830	-
	3 242 873	(13 373 250)
Additional increase in landfill site assets and provision for rehabilitation of landfill sites - Based on additional rehabilitation requirements with issued closure licence.	38 280 025	-
Total	41 522 898	(13 373 250)
49. Change in accounting policy		
There were no changes in the accounting policy for the 2015 financial year.		

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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50. Unauthorised, irregular, fruitless and wasteful expenditure

50.1 Unauthorised expenditure

To the best of our knowledge only the unauthorised expenditure listed below was incurred during the year under review. Also refer to Annexure C (Capital expenditure by vote) and Annexure D (Operating expenditure by vote) where the actual expenditure is measured against the budgeted expenditure per the various votes.

Expenditure appropriated other than what was budgeted for	325 874	-
Overspending of the total amount appropriated for a vote as per the approved budget		
Capital vote of Council	37 717	-
Capital vote of Engineering and Planning Services	27 067	-
	390 658	-

Expenditure appropriated other than what was originally budgeted for

Paragraph 1 of the MFMA defines unauthorised expenditure, *inter alia*, as expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose. During the 2014/15 financial year the municipality spent funds on an EPWP project that was not budgeted for, resulting in an over expenditure.

Overspending of the total amount appropriated for a vote as per the approved budget

Paragraph 1 of the MFMA defines unauthorised expenditure, *inter alia*, as an overspending of the total amount appropriated for a vote in the approved budget. During the 2014/15 financial year the budgeted capital vote for "Council" and "Engineering and Planning Services" were exceeded. The reason for this related to an overspending of R37 717 on the capital vote Council that was the result of the purchase of a vehicle where the input VAT was denied. The over expenditure of the R 27 067 on Engineering and Planning Services is as a result of the adjustment of the Rehabilitation of Landfill sites provision that increased substantially higher than budgeted which high increase is due to more strict rehabilitation requirements.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
50.2 Irregular expenditure		
Opening balance	3 186 440	28 282 727
Invalid deviations	723 400	940 716
Incorrect price range applied for quotations	32 888	32 194
Competitive tender process not followed	720 342	-
Procurement without an approved deviation	-	10 927
Non-compliance with the Construction Industry Development Regulations	-	7 510 442
Payments to persons in service of the state	-	154 631
Tender advertised for less than the prescribed period	-	10 311 508
Incorrect application of the preferential procurement regulations	-	2 267 190
Bid awarded to supplier with arrear municipal account	-	8 124 094
Quotations advertised for less than the prescribed period	-	1 628 873
Less: Amounts written off (condoned) by Council		
Invalid deviations	(2 554 286)	(135 660)
Incorrect price range applied for quotations	(65 082)	-
Competitive tender process not followed	(221 307)	-
Procurement without an approved deviation	-	(10 927)
Non-compliance with the Construction Industry Development Regulations	-	(7 510 442)
Payments to persons in service of the state	(499 005)	(152 328)
Tender advertised for less than the prescribed period	-	(19 012 176)
Incorrect application of the preferential procurement regulations	(775 024)	(2 852 113)
Bid awarded to supplier with arrear municipal account	-	(13 866 173)
Quotations advertised for less than the prescribed period	(49 331)	(1 579 542)
Three written price quotations not obtained	-	(10 957 501)
	499 035	3 186 440

Invalid deviations

During the 2014/15 financial year the incorrect application of Regulation 36 of the Municipal Supply Chain Regulations was followed which resulted in irregular expenditure of R723 400. Value for money was received for the services rendered and after due consideration was given to the facts and circumstances, the amount was written off by the Council.

Incorrect price range applied for quotations

During the 2014/15 financial year the incorrect application of paragraph 18 of the Supply Chain Management policy of the municipality was followed which resulted in irregular expenditure of R32 888. Value for money was received for the goods delivered and after due consideration was given to the facts and circumstances, the amount was written off by the Council.

Competitive tender process not followed

During the 2014/15 financial year payments to the value of R720 342 were made to a supplier without following due supply chain processes, in this instance procurement was not done by way of a competitive tender process. It was initially thought by the procuring department that a previous tender will still be relevant as the scope of service required was similar. After consideration was given to the facts, an amount of R221 307 was written off by the Council. The balance of this amount still has to be considered by the Municipal Public Accounts Committee and Council.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
50.3 Fruitless and wasteful expenditure		
Opening balance	3 792 807	187 284
Incorrect salary payment	6 738	5 786
Quotation awarded to incorrect supplier	216	-
Interest and penalties accrued on late payments	2 697	28 952
Cost incurred without receiving any services	136 800	12 133
Original contract price exceeded	-	3 613 059
Advertising cost incurred on tenders not awarded	-	12 058
Payment made into incorrect bank account	-	3 219
Less: Amounts recovered		
Incorrect salary payment	(1 413)	-
Overpayment made to supplier	-	(14 308)
Less: Amounts written off by Council		
Incorrect salary payment	(8 579)	-
Quotations awarded to incorrect supplier	(216)	-
Interest and penalties accrued on late payments	(2 697)	(28 952)
Cost incurred without receiving the required benefit thereof	(137 786)	(11 147)
Advertising cost incurred on tenders not awarded	-	(12 058)
Duplicate payment made to supplier	(23 275)	-
Payment made to the incorrect bank account	-	(3 219)
	3 765 292	3 792 807

Incorrect salary payment

During the 2014/15 financial year incorrect salary payments of R6 738 were made to two employees. One of the employees repaid the money, whilst credit proceedings were instituted against the other.

Quotation awarded to incorrect supplier

During the 2014/15 financial year the municipality did not accept the best possible quotation, resulting in additional payments to the value of R216 that had to be made. After due consideration was given to the facts and circumstances, the amount was written off by the council.

Interest and penalties accrued on late payments

During the 2014/15 financial year the municipality became aware of interest and penalties of R2 697 owing to the SARS when a tax clearance certificate was applied for. These interest and penalties related to employee tax and skills levy dating back from 2000 and 2010 respectively. After due consideration was given to the facts and circumstances, the amount was written off by the Council.

Cost incurred without receiving the required benefit thereof

During the 2014/15 financial year the municipality rented a building on behalf of the Department of Home Affairs. The building was vacant for the period 1 August 2014 to 31 March 2015 resulting in payments that were made without receiving any value for money.

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 378 320	1 972 796
Amount paid - current year	(2 378 320)	(1 972 796)
	-	-

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
South African Music Rights and Skills development levies		
Current year subscription / fee	2 025 954	1 860 343
Amount paid - current year	<u>(2 025 954)</u>	<u>(1 860 343)</u>
	-	-
Audit fees		
Current year subscription / fee	4 190 212	4 160 020
Amount paid - current year	<u>(4 190 212)</u>	<u>(4 160 020)</u>
	-	-
PAYE and UIF		
Current year subscription / fee	30 211 286	26 276 110
Amount paid - current year	<u>(30 211 286)</u>	<u>(26 276 110)</u>
	-	-
Pension and Medical Aid Deductions		
Opening balance	-	(630)
Current year subscription / fee	51 872 059	47 638 972
Amount paid - current year	<u>(51 872 059)</u>	<u>(47 638 342)</u>
	-	-
There was an amount of R630 overpaid in respect of medical aid at 30 June 2013.		
Councillors' arrear consumer accounts for more than 90 days at reporting date		
Councillors' arrear consumer accounts for more than 90 days during the reporting period		
30 June 2014	Highest outstanding amount	Aging (in days)
Councillor Jordaan Peter M	<u>503</u>	<u>120</u>

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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52. Deviation from supply chain management regulations

Regulation 12 of the Municipal Supply Chain Regulations 2005 determines that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Regulation 36 of the same regulations also requires that the accounting officer may dispense with the official procurement process in certain circumstances provided that the reasons are recorded and reported to Council.

These circumstances are typically for emergency procurement, procurement where goods or services is available from only one supplier and procurement where it is impractical or impossible to follow the official procedures.

Regulation 36(1)(b) further allows the accounting officer to ratify any minor breaches of the procurement processes which are purely of a technical nature.

Deviations for the year

Emergencies	2 348 046	1 167 684
Sole provider	6 255 998	4 203 519
Impractical or impossible to follow the SCM process	6 558 917	3 883 089
Ad-hoc repairs	1 364 904	331 896
Strip and quote	4 867 647	4 449 310
Minor breaches of the procurement process	115 787	376 755
Total deviations for the year	21 511 299	14 412 253

The details of the deviations for the current year under review amounting to R21 511 299 is included as Annexure G.

53. Capital commitments

Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure assets	18 134 943	45 067 468
• Other assets	8 152 820	2 532 245
• Buildings	2 785 774	5 216 558
• Community	15 081 773	2 491 958
	44 155 310	55 308 229

Approved but not yet contracted for

• Infrastructure assets	2 559 527	4 887 314
• Buildings	-	712 800
• Community	-	3 506 397
	2 559 527	9 106 511

Total capital commitments

Approved and contracted for	44 155 310	55 308 229
Approved but not yet contracted for	2 559 527	9 106 511
	46 714 837	64 414 740

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
-----------------	------	-------------------

54. Contingent liability

Claims against Council

The municipality is currently engaged in litigation which could result in damages or costs being awarded against Council if the claimants are successful in the actions. The following are the estimates.

Britannia Beach Estate (Pty) Ltd and 3 others	153 326	153 326
West Coast Miracles (Pty) Ltd	150 000	150 000
Envitech Solutions (Pty) Ltd	200 000	100 000
F. Turner and Turner Plant and Harvest CC	250 000	-
Capendale	-	80 000
	753 326	483 326

Britannia Beach Estate (Pty) Ltd and 3 others

Britannia Beach Estate (Pty) Ltd, Bay Developers (Pty) Ltd, Sandy Point Beach Properties (Pty) Ltd and West Coast Miracles (Pty) Ltd paid the municipality capital contributions in the past which consisted of sewerage, electricity and roads expenditure. They were of the view that the capital contributions were excessive and took the municipality to court on this matter. The Constitution Court ruled in favour of the municipality and ordered these 4 entities to pay the legal fees of the municipality incurred. Included in trade and other receivables from exchange transactions in the Statement of Financial Position is an amount of R363 283 (2014: R663 283) which comprises the legal fees to be paid back. The municipality made a calculation of the possible excessive contributions and it was estimated to be R153 326. There is still uncertainty about the correctness of this amount to be repaid. If an amount is to be repaid to these entities, it will be done on a net basis and each of these entities will settle to one another among themselves.

West Coast Miracles Pty (Ltd)

An application was handed in for the cancellation of water services on erf 35 and 40, St Helena Bay by the owner of these property. Council disputes this application. The estimated liability for council is estimated at R150 000.

Envitech Solutions (Pty) Ltd

An application was handed in against the Council for the reviewing and setting aside of the awarding of a tender. This render was found non-responsive during the functionality stage. The matter is still in the pleading stages. The estimated liability for Council is estimated to be R100 000.

F. Turner and Turner Plant and Harvest CC

An application was made by Council against the property owner from conducting activities contrary to the zoning scheme. This matter is still in the pleading stages. The estimated liability towards Council is in the region of R250 000.

Capendale

The Capendale case has been concluded during the reporting period and Council has paid R80 000 as settlement on 17 December 2014.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
-----------------	------	-------------------

55. Related parties

No members of the municipality's management have significant influence over the financial or operating policies of the municipality. No business transactions took place between the Saldanha bay municipality key management personnel and their close family members, unless specifically disclosed. All members of the municipality's management and their close family members receive and pay for services on the same terms and conditions as other ratepayers and residents. All transactions are at arm's length and no bad debt expenses have been recognised in respect of amounts owed by related parties

55.1. Composition of management

Municipal Manager and Directors

Municipal Manager	Scheepers Louis
Chief Financial Officer	Vorster Stefan
Director Engineering and Planning Services	Smith Gerrit
Director Community Services	Marais Jacques
Director Corporate and Operations	Mbaliswana Phumzile

Mayoral Committee members

Executive Mayor	Schippers Francois J
Executive Deputy Mayor	Steyn Elizabeth SJ
Speaker	Daniels Olwene D
Finance	Louw Nicolaas S
Technical Services	Van Tura Sucilla L
Community Services	Ryan Don J
Corporate Services	Pronk Frank

Other Councillors

Arendze Wilfred
Benjamin Trevor
Biko Mzwandile S
Cillié Jan J
De Bruin Isak
De Bruyn Adele
De Bruyn Gerrit N
Jordaan Berandina
Jordaan Peter M
Kruger André
Mbanze Frank FB
Mitchell Leornard
Mgoqi Nyanisile V
Padayachee Hoosain
Riet Ikakayeng M
Skei Joubert
Vaughan Eventhia
Vries Stefanus T

Remuneration of management

The compensation of management is set out below. Councillors in this note are compensated according to the Remuneration of Public Office Bearers Act, Act 20 of 1998. The mayoral committee members have executive powers for planning, directing and controlling the activities of the municipality by virtue of their delegation and therefore are disclosed individually. The other councillors have no executive powers and are also disclosed individually.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

55. Related parties (continued)

55.2 Remuneration of management

	Annual Remuneration	Bonuses	Travelling allowance	Contribution to UIF, Medical and Pension Funds	Housing	Telephone allowance	Other	Total
2015								
Municipal Manager	1 020 000	-	255 000	183 600	110 270	6 968	53 943	1 629 781
Chief Financial Officer	864 000	-	216 000	190 512	58 619	9 300	7 987	1 346 418
Director: Engineering and planning Services	802 800	-	183 000	161 784	12 538	-	2 207	1 162 329
Director: Corporate Services	503 038	-	75 707	90 848	4 486	7 787	1 101	682 967
Director: Community Services	756 000	-	189 000	175 111	26 176	10 800	24 134	1 181 221
	3 945 838	-	918 707	801 855	212 089	34 855	89 372	6 002 716
2014								
Restated*								
Municipal Manager	960 000	-	240 000	172 800	96 228	8 474	66 088	1 543 590
Chief Financial Officer	804 000	-	201 000	177 379	62 242	7 200	2 176	1 253 997
Director: Engineering and planning Services	754 733	-	171 000	151 142	9 417	-	28 154	1 114 446
Director: Community Services	588 444	-	147 111	135 891	23 084	9 000	45 666	949 196
	3 107 177	-	759 111	637 212	190 971	24 674	142 084	4 861 229

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

55. Related parties (continued)

55.2 Remuneration of management

	Basic Salary	Medical healthcare contribution	Traveling allowance	Pension contribution	Housing Allowance	Telephone allowance	SDL	Total
2015								
Executive Mayor: Schippers FJ	477 000	-	119 250	35 776	86 469	20 868	6 908	746 271
Deputy Executive Mayor: Steyn ESJ	368 880	17 280	92 220	55 333	41 082	20 868	5 123	600 786
Speaker: Daniels O	459 837	-	114 959	-	-	20 868	5 972	601 636
Finance: Louw S	431 098	-	107 774	-	-	20 868	5 553	565 293
Technical Services: van Tura S	538 872	-	-	-	-	20 868	5 492	565 232
Community Services: Don RJ	419 760	-	104 940	-	14 172	20 868	5 548	565 288
Strategic Services: Pronk F	419 760	-	104 940	-	14 172	20 868	5 492	565 232
Councillor: Arendze W W	165 360	-	41 340	-	8 848	20 868	2 260	238 676
Councillor: Benjamin T G	215 549	-	-	-	-	20 868	2 260	238 677
Councillor: Biko MS	139 920	-	34 980	20 989	19 659	20 868	1 976	238 392
Councillor: Cillié J J	194 820	17 280	32 297	25 669	31 402	20 868	2 795	325 131
Councillor: de Bruin I	215 549	-	-	-	-	20 868	2 260	238 677
Councillor: de Bruyn A	159 000	-	-	23 851	32 698	20 868	1 937	238 354
Councillor: de Bruyn G	159 000	-	39 750	11 926	4 873	20 868	2 182	238 599
Councillor: Jordaan B	190 800	-	19 080	-	5 668	20 868	2 270	238 686
Councillor: Jordaan P	215 549	-	-	-	-	20 868	2 260	238 677
Councillor: Kruger A	156 456	-	39 115	-	19 978	20 868	2 260	238 677
Councillor: Mbanze FFB	118 296	17 280	29 574	8 873	41 525	20 868	2 152	238 568
Councillor: Mitchell L	202 474	-	10 080	-	2 994	20 868	2 260	238 676
Councillor: Mgoqi NV	124 657	12 564	31 164	18 699	28 464	20 868	2 021	238 437
Councillor: Padayachee H	165 360	-	41 340	-	8 848	20 868	2 260	238 676
Councillor: Riet IM	200 528	-	11 580	-	3 440	20 868	2 257	238 673
Councillor: Skei J	137 800	-	34 450	10 336	82 994	20 868	2 745	289 193
Councillor: Vaughan E	204 420	-	8 580	-	2 548	20 868	2 260	238 676
Councillor: Vries ST	184 440	-	18 444	-	12 664	20 868	2 297	238 713
	6 265 185	64 404	1 035 857	211 452	462 498	521 700	80 800	8 641 896

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

55. Related parties (continued)

55.2 Remuneration of management (continued)

2014	Basic salary	Medical healthcare contributions	Traveling allowance	Pension contribution	Housing allowance	Telephone allowance	SDL	Total
Executive Mayor: Schippers FJ	450 000	-	112 500	69 750	45 576	20 868	5 826	704 520
Deputy Executive Mayor: Jager R	319 000	-	79 750	51 765	46 558	19 129	4 205	520 407
Deputy Executive Mayor: Steyn ESJ	20 714	1 048	5 179	3 087	2 249	1 242	283	33 802
Speaker: Daniels OD	433 809	-	108 452	-	-	20 868	5 710	568 839
Finance: Louw NS	406 696	-	101 674	-	-	20 868	5 238	534 476
Technical Services: Van Tura SL	508 370	-	-	-	-	20 868	5 188	534 426
Steyn E	299 071	16 232	74 768	44 880	43 158	19 626	4 227	501 962
Community Services: Ryan Don J	396 000	-	99 000	-	13 370	20 868	5 195	534 433
Strategic Services: Pronk F	396 000	-	99 000	-	13 370	20 868	5 188	534 426
Councillor: Arendze WW	156 000	-	39 000	-	8 348	20 868	2 138	226 354
Councillor: Benjamin TG	203 348	-	-	-	-	20 868	2 138	226 354
Councillor: Biko MS	132 000	-	33 000	19 800	18 548	20 868	1 841	226 057
Councillor: Cillie JJ	168 000	17 280	25 200	25 200	25 283	20 868	2 385	284 216
Councillor: de Bruin I	203 349	-	-	-	-	20 868	2 138	226 355
Councillor: de Bruyn A	150 000	-	-	22 500	30 848	20 868	1 800	226 016
Councillor: de Bruyn G	154 000	-	38 500	3 750	7 098	20 868	2 063	226 279
Councillor: Jordaan B	180 000	-	18 000	-	5 348	20 868	2 138	226 354
Councillor: Jordaan PM	203 348	-	-	-	-	20 868	2 138	226 354
Councillor: Kruger A	147 600	-	36 900	-	18 848	20 868	2 138	226 354
Councillor: Masina S	80 694	-	-	-	-	5 165	833	86 692
Councillor: Mbanze FFB	111 600	16 532	27 900	17 298	30 018	20 868	1 837	226 053
Councillor: Mitchell L	190 086	-	-	-	-	19 507	1 998	211 591
Councillor: Mgoqi NV	117 600	11 173	29 400	17 640	27 536	20 868	1 873	226 090
Councillor: Padayachee H	156 000	-	39 000	-	8 348	20 868	2 138	226 354
Councillor: Riet IM	73 499	-	-	-	-	7 543	773	81 815
Councillor: Skei J	159 167	-	39 791	14 363	47 642	20 868	2 457	284 288
Councillor: Vaughan E	9 683	-	-	-	-	994	102	10 779
Councillor: Vries ST	174 000	-	17 400	-	11 948	20 867	2 164	226 379
	5 999 634	62 265	1 024 414	290 033	404 094	511 433	76 152	8 368 025

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

55. Related parties (continued)

55.3 Transactions with management

During the 2014/15 financial year the mayor of the municipality, Councillor Francois Schippers leased two properties from the municipality. During the 2013/2014 financial year one property was leased by the mayor from the municipality. The mayor has paid rentals of R 1 141 (2014: R 285) for the year. The market related rentals for these two properties are considered to be R 8 892 (2014: R 2 052).

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand		2015	2014 Restated*																																																																
55. Related parties (continued)																																																																			
55.4 Supply Chain Management Transactions																																																																			
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Refer to note 2.</td><td>110 000 000</td><td>180 000 000</td></tr> <tr> <td>Total</td><td></td><td>112 077 017</td><td>181 340 806</td></tr> </tbody> </table>				Name of person or entity	Details	Amount of the awards	Amount of the awards	Lanika Trading CC	The owner of this business is a sibling of Councillor Hoosain Padayachee of the Saldanha bay Municipality.	141 340	158 225	Powerrec (Pty) Ltd	The parents of the shareholders of this company is in service of the Limpopo Department of Social Development and Gauteng Health Department.	1 408 716	440 880	All Solutions Suppliers	The owner of the company is the brother of Mr P Lewack who is employed at Saldanha bay Municipality.	47 300	-	Cochokwa Waste Management Co-op Ltd	A shareholder of the company is the spouse of Councillor Isak De Bruin who is a councillor of Saldanha bay Municipality.	38 612	-	Ikapa Reticulation and Flow CC	The spouse of Mr R Davids is employed at the Department of Education.	13 360	-	Siphakame Skills Development	The spouse of Mr. N Vacu is employed at the Drakenstein Municipality.	379 136	-	West Coast Project Management	The spouse of Mr. C Marinus is employed at the Department of Education.	41 133	-	EI Paso Guns	Mr. PS de Kock is a relative of Ms. MC de Kock who is employed by Saldanha bay Municipality.	7 420	-	Off-med furniture and medical warehouse	The shareholder of this business is in service of the South African Airways.	-	132 338	Mogwe Marine Oil Gas Water and Energy Services (Pty) Ltd	The shareholder of this company (Natasha Engelbrecht) was in service of Saldanha bay Municipality within the previous twelve months.	-	492 280	C and M Koert General Trading	The owner of this company is the spouse of Mr. Karel Koert who is in service of Saldanha bay Municipality.	-	76 500	Cor-mar Films	Mr. du Plessis was in the employment of Denel until 31 March 2014.	-	22 293	Graphix Matrix	Mrs. MA du Toit was in the employment of Saldanha bay Municipality during the reporting period. 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Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

Restated*

56. Events after the reporting date

To the best of our knowledge all events and transactions, both favourable and unfavourable, that occurred between the reporting date and the date when the annual financial statements were authorised for issue were appropriately adjusted for.

57. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks such as market risk, credit risk and liquidity risk.

Market risk includes currency risk, fair value interest rate risk, cash flow interest rate risk and price risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end were as follows:

Trade and other receivables from exchange transactions	75 084 810	74 832 181
Trade and other receivables from non-exchange transactions	19 348 403	22 919 280
Cash and cash equivalents	395 599 128	420 427 711

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

58. Restatement of comparative information

Certain comparative figures have changed. The changes are as a result of amounts reclassified or prior period errors. For more detail refer to note 45: prior period errors and change in accounting policy.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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59. Budget differences

Implementation of the capital budget

The municipality has spent R 225 459 021 (2014: R 145 156 473) of the capital budget of R 236 336 724 (2014: R 208 661 530) which translate to a spending ratio of 95% (2014: 70%). Refer to Appendix C for more detail.

Material differences between budget and actual amounts

The reason for the variances between the approved budget and final budget are explained below. The adjustments made between the approved budget and the final budget include virements that were made after the approval of the final adjustment budget on 27 March 2015. Virements are transfers from one operating cost element or capital project to another, and are made in accordance with the approved virement policy of the municipality. The explanations of material variances greater than 10% between the final budget and actual amounts are provided below.

59.1 Statement of financial position:

Inventories

Inventory on housing top structures for Wesbank project was understated and has been corrected. The budgeted amount was however still more than the actual at year end due to unpredictability of consumer stores purchases and stores issues.

Trade and other receivables from non- exchange transactions

The payment ratio on property rates was higher than anticipated. An adjustment was made on government grants debtors that decreased the amount at year end.

Intangible assets

The conditions of intangible assets were assessed during the current year under review. A change in accounting estimate led to a net increase in the amortisation amount for 2015.

Investment property

Budget was based on the 2013/2014 annual financial statements. Fair value adjustment and correction of an error where certain properties identified as investment property were transferred to investment property that affected the actuals, therefor the material variance.

Non-current receivables

Non-current receivables has been impaired in total at year end.

Payables from exchange transactions

The higher increase in year end trade payables did not realise as expected. Leave accrual and bonuses previously included in payables is now included in employee benefit obligation which is the main reason for the deviation.

Unspent conditional grants and receipts

The actual unspent grants at year end was more than the anticipated amount due to the fact that certain housing projects were delayed and additional funding was received.

Employee benefit obligation

The budget was based on the previous actuarial valuation report and was therefor only an estimate. The updated report is only available after approval of the budget. Leave accrual and bonuses previously included in payables is now included in employee benefit obligation which is one of the main reasons for the deviation.

Finance lease obligation

No new finance lease obligations were entered into as anticipated at the time when the budget was compiled.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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59. Budget differences (continued)

Provisions

The material variance and increase amount relates to the change in provision for rehabilitation for landfill sites requirements and conditions for the closure of landfill sites. This was unknown at time when the adjustment budget was approved.

59.2 Statement of financial performance:

Interest earned - outstanding receivables

Interest on housing rentals and housing schemes budgeted but did not realise.

Agency services

More revenue realised on motor vehicles licencing transactions than anticipated. Therefor more commision received

Other income from exchange transactions

More revenue received on capital contributions than anticipated. The amount for bad debts recovered, building plan fees, encroachment fees and incidental cash surpluses were also more than budgeted for.

Interest earned - external investments

Lower actual capital expenditure payments had the effect that more could be invested though the year that resulted in more interest earned.

Interest earned - outstanding property rates

The amount levied was less than the budgeted amount due to high payment ratio.

Other income from non-exchange transactions

Actual less than budgeted amount due to VAT on DORA grants revenue recognised less than budgeted.

Government grants and subsidies

There was less conditions met in respect of Provincial housing grants and other grants, that resulted in less revenue recognised than budgeted. The main reason for the material variance is however that the total amount for grants as per DORA has been budgeted for in terms of a requirement from National Treasury that the budget for grants must balance with the DORA allocation, although the grant in respect of housing projects where the municipality is the agent is not recognised as revenue.

Fines

The amount recognised as revenue is more than the budgeted amount due to substantial increase in fine tariffs.

Loss on disposal of assets

Assets not in use as well as missing assets with book value disposed off not budgeted for.

Depreciation, amortisation and impairment losses

Depreciation is budgeted as if capital expenditure will be 100%. Depreciation is lower due to lower capital expenditure and work in progress.

Debt impairment

Debtors impairment is lower than budgeted for as a result of the increased average payment ratios of individual rate payers and consumers.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
-----------------	------	-------------------

59. Budget differences (continued)

Collection costs

Collection costs lower due to less payments to the sheriff of the court. This can be coupled to the increased payment ratio.

Repairs and maintenance - materials and payments to suppliers

Expenditure on repairs and maintenance is lower than budgeted as a result of less materials procured and less suppliers appointed than what was budgeted for.

Inventories written-off

The actual expenditure is less than budgeted as a result of a requirement that the housing grant be fully budgeted for as per DORA, although the grant is not for inventories only. Also refer to the explanation above in respect of government grants and subsidies.

General expenses

The actual expenditure on general expenses is lower than budgeted and is mainly attributed to savings on audit fees, expenses on construction of 142 toilets, expenses incurred on asset verification and unbundling, expenses for professional fees, expenses for valuation records, expenses incurred on the IDP, insurance excess payments, postage fees, telephone costs, material, printing and stationery, uniforms and protective clothing, subsistence and travelling, rental of toilets, rental tools, security costs, legal fees paid and wet fuel.

59.3 Cash flow statement

Service charges

Electricity sales less than budgeted. Certain other receipts and interest on receivables were included in budgeted numbers for service charges. Collection of arrears did not realise as anticipated.

Grants

More received than budgeted as result of additional housing grants allocation.

Other receipts

Budgeted other receipts were based on previous year's cash flow statement which was recalculated to only include actual cash received

Interest income

Interest on investments more due to more available funds to invest. Interest on receivables was included in service charges with compilation of the budget.

Payments to suppliers and other

Less payments than budgeted due to savings on bulk purchases, materials and general expenditure.

Purchases of property plant and equipment

Actual capital expenditure payments less than budgeted. Refer to explanations per vote below.

Proceeds from sale of property, plant and equipment

This is not budgeted for as it is unknown at the time of budgeting

Proceeds from borrowings

New borrowings extended until 2015/2016 financial year.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
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59. Budget differences (continued)

Finance lease payments

It was anticipated that new finance leases will be incurred which did not realise. Therefor the payments was less than budgeted for.

59.4 Capital budget expenditure

The capital budget variance per vote can be found in appendix C. A high level explanation of the variances is provided below:

Municipal Manager

Savings realised on office furniture and equipment that was not procured.

Finance

A saving of R457 300 relates to capital items budgeted for to be replaced through insurance claims during the year. No material insurance claims relating to capital items were received during 2014/15. The amount budgeted for bins was included in another project and therefor the funding was not utilised. The R156 000 earmarked for the fuel electronic system will be rolled over to the next financial year due to a waiting period for delivery thereof.

Corporate and Protection Services

The bulk of the unspent funds relates to an amount of R1 200 000 budgeted for the dog pound. There was a delay in the appointment of the service provider that had to assist with the design of the pound. Several other projects that was not yet completed at year end will also be rolled over to the next financial year.

Community and Operational Services

The bulk of the funds R5 256 037 relates to projects that are still work in progress and will be rolled over to the next financial year. Quotations below the budgeted amount was received therefor the savings. Incorrect quotations was received on certain projects and these will be re-advertised in order to complete the projects. The Louwville swimming pool project has been put on hold.

Engineering and Planning Services

The budgeted funds have been fully spent. The additional provision amounting to R38,25 million to increase the landfill site attributed to the over-spending of the budget.

Council

During the 2014/15 financial year the budgeted capital vote for "Council" was exceeded. The reason for this related to an overspending of R37 717 on the capital vote. This over expenditure was the result of the purchase of a vehicle where the input VAT was denied.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated*
-----------------	------	-------------------

60. Impairment of non-cash generating assets

An entity that prepares and presents annual financial statements under the accrual basis of accounting shall apply GRAP 21 in accounting for the impairment of non-cash generating assets, and GRAP 26 in accounting for the impairment of cash generating assets. Cash generating assets are held with the primary objective of generating a commercial return.

Management has considered both Standards and used the decision tree as per the guide for these Standards, to determine if assets should be treated as cash or non-cash generating.

It was concluded that GRAP 21 only is applicable to the municipality and therefor all assets are accounted for as non-cash generating assets. The amount impaired with respect to these assets is R 1 093 058 (2014: R 4 673 071).

The circumstances that led to the impairment are as follows:

Impairment indicators	Asset class		
Assets damaged irreparable (Security barrier)	Buildings	945	-
Assets damaged irreparable (Weigh bridge)	Buildings	-	104 362
Project halted not to be completed	Infrastructure	36 734	-
Infrastructure assets replaced due to obsolescence	Infrastructure	65 375	4 273 661
Bicycle lanes replaced by sidewalks	Infrastructure	27 177	-
Assets damaged irreparable	Leased	-	129
Assets damaged irreparable	Other	962 827	294 919
		1 093 058	4 673 071

61. Material losses

Water losses	<u>11 783 034</u>	<u>14 177 929</u>
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The losses recorded were 14.45% (2014: 16.66%). These losses are predominantly due to metering inefficiencies, unmetered connections, aging pipeline infrastructure, burst pipes, old reticulation networks and other leakages which are by nature regarded as normal production losses.

Electricity losses	<u>18 572 432</u>	<u>23 443 897</u>
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The energy losses recorded were 8.91% (2014: 11.3%). These losses are the result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non technical losses, e.g. theft and vandalism.